

UNIVERSITY OF DUNDEE**UNIVERSITY COURT**

A meeting of the University Court was held on 18 December 2006.

Present: Mr J R Milligan (in the Chair), Principal Sir Alan Langlands, Dr R J Abboud, Ms C A Bain, Professor A Burchell, Mr R Burns, Dr J R Elliott, Mr B W M Johnston, Dr H Marriage, Ms E A Robertson, Dr A M Roger, Dr L A L Rolland, Mr E F Sanderson, Dr M R Ward, Mr W Wilson and President of the Students' Association.

In Attendance: Mr J Barnett (member of Audit Committee), Vice-Principals Professor D H Boxer, Professor J Calderhead and Professor I M Leigh, Deputy Principal Professor M C R Davies, Secretary, Deputy Secretary & Clerk to Court, Directors of Finance, Information Services and Strategic Planning and Dr N J Laker.

The Chairman welcomed Professor Leigh to the Court as well as to the University and Dundee. Professor Leigh had taken up the post of Vice-Principal and Head of the College of Medicine, Dentistry & Nursing. He also extended welcomes to Professor Davies, Mr Barnett and to Dr Laker, who would be taking over as Clerk to Court from Mr Peter Evans.

14. MINUTES

The Court decided: to approve the Minutes of the meeting on 23 October 2006.

15. MATTERS ARISING**Statute 9 (Minute 7(2))**

- The Court decided:**
- (i) subject to ratification at its next meeting in accordance with the terms of the University Charter, and to such modifications as might be required by the Privy Council, to approve unanimously the amendments to Statute 9, limiting the maximum continuous terms of office of the Chancellor's Assessor and Rector's Assessor to eight years and six years respectively (**Appendix 1**);
 - (ii) to confirm that, in relation to the current incumbents, the maximum continuous terms of office outlined in the amendments shall date

from their first appointment to the relevant office.

16. CHAIRMAN'S BUSINESS

The Chairman reported that he, along with fellow Court members, had taken a tour of new buildings on the City Campus under the guidance of the Director of Campus Services. He had been struck by the quality of the developments on campus. The Chairman reported also that a meeting of the Remuneration Committee had taken place (Minute 23 refers), and that he had recently attended the University's Carol Service, which had been a particularly enjoyable event, and which he encouraged other members to attend in the future.

The Chairman looked forward to an event on 9 February 2007, a Dundee Celebration, at which the anniversary of the University's founding and its relationship with the City were to be commemorated with an Academic Ceremony conferring eight Honorary Degrees. Court members would be invited to a luncheon preceding the ceremony. The Chairman also called members' attention to the 2007 Reunite in Dundee Homecoming Weekend, taking place from 15-17 June 2007, to which all alumni were being invited. Mr Wilson asked members to encourage ticket sales and participation in the weekend's activities.

17. PRINCIPAL'S REPORT

The Court received a report from the Principal (**Appendix 2**).

The Principal commented that the restructuring of the University was progressing well, with only minor details still to be resolved. He highlighted the appointments of the four College Secretaries, who would be important players in the new structure (minute 24 refers).

Turning to financial matters, the Principal brought the Court's attention to the significant slowdown in the increase in public spending announced in the Government's pre-budget report. This would undoubtedly affect education, health and social care, and thus a good deal of the University's business. The slippage in the spending review to 2007 might also affect resources in the sector. Against this background it was therefore essential that the University perform well in the Research Assessment Exercise 2008 (RAE 2008), and Vice-Principal Professor Boxer was working with Colleges to ensure a successful outcome. The Court heard about the UK national plans to reform the RAE system from 2010, introducing a metrics-based system for scientific, technological and medical disciplines, while retaining a lighter touch system of peer review for arts and social science subjects. The Court also heard about the outcomes of the Cooksey Report, which proposed the establishment of a body to co-ordinate funding for medical research. As the implications for Scotland were clarified, Dundee might be able to build on its strengths, particularly in translational medical research.

Finally, the Principal encouraged members of the Court to attend the 2007 Discovery Days on 11 and 12 January 2007, showcasing the work of 23 new professors.

Mr Johnston took the opportunity, as Chair of the Court Sub-Group looking at sustainability, to explain the factors contributing to the 2005/6 deficit. Increased utility costs, unanticipated spending from departmental resources and poor overhead recovery had all contributed to the result. The Principal noted that in a tougher environment it was increasingly difficult to balance investment in staff and in capital projects, both of which were vital for a successful University.

Clarification was sought from the Head of the College of Medicine, Dentistry and Nursing on the appointment of the Dean of Medicine. Professor Leigh responded that the Acting Dean would need to continue for a little while longer in order for an appropriate appointment to be made, and a communication was being prepared in the College Office to that effect.

18. SUSTAINABILITY REVIEW

The Court received a report from the University Secretary on the progress of the sustainability review, and heard from Deputy Principal Professor Davies on the work of the review group.

The review group had identified a set of seven key performance indicators to measure how efficient the University was in its core activities. Information was taken for 2005/6 and set against external benchmarks and the performance of other HEIs. The group's analysis of the data and its preliminary findings now needed to undergo a period of due diligence to test their accuracy and reliability. Consultation would also take place with College Heads, following which clear proposals for efficiency savings would be compiled. Professor Davies pointed out that the object of the review was not to find short-term solutions, but to ensure the sustainability of the University's activity into the future.

The Court received clarification on the operation of the Salary Sacrifice Scheme, which despite its name materially benefits both employer and employee, although employees would be able to opt out.

There was discussion about the implications of savings in the Capital Programme, including deferment of the Campus Green project. The Secretary confirmed that the Campus Services Committee would be consulted on changes to the Capital Programme resulting from sustainability savings.

On the question of redundancies, the Principal stated that they could neither be ruled in nor out; it would be wrong, he said, to constrain the work of the sustainability group at this point.

The Court decided: to await with interest the outcomes of the review process to be presented at the next meeting.

19. CAPITAL DEVELOPMENTS AT NINEWELLS

The Court received a report from the Director of Strategic Planning, in which current financial issues relating to two developments on the Ninewells site were explained and solutions proposed. The Clinical Research Centre (CRC) and the Translational Medicine Research Collaboration (TMRC) are significant projects on contiguous sites. As a result of an unsuccessful bid to the Wellcome Trust, modifications to the scheme, unexpected construction conditions and higher mechanical and electrical engineering costs, there was now a shortfall on the CRC project. Funding for the TMRC would be in place early in the New Year, and the Court had previously agreed to a ring-fenced loan to cover part of the cost. With building work progressing as planned on the CRC, and with work due to start on the TMRC, it was now appropriate to consider alternative options to address the CRC shortfall. If the Court were to decide on any major changes to the building, then these would need to be agreed now, before work had progressed so far that change was impractical or too costly.

The Court discussed the advantages and disadvantages of the various options. Both projects were important for the strategic development of medical research, and the CRC was also important to the Scottish clinical research network and to the University's partnership with NHS Tayside. It was therefore important that any savings did not jeopardise the safety, the operation or the success of both projects.

Concern was expressed that the increases in the cost of the CRC had not been reported through the Finance & Policy Committee.

- The Court decided:**
- (i) to allow the CRC scheme to proceed with a determined effort to raise the additional funds required and to investigate the merits of building one floor as a shell;
 - (ii) to require that, in future, increases of more than £250k in the cost of Court-approved capital projects be reported individually to the Finance & Policy Committee;
 - (iii) to request a business plan on the sustainability of the CRC project.

20. FINANCE

(1) Finance & Policy Committee

The Court received the report of the meeting of the Committee on 20 November 2006 (**Appendix 3**).

The Director of Finance reported that the University was awaiting formal approval from the Scottish Funding Council for the University's revised borrowing requests. The Scottish Funding Council had provisionally given approval subject to the submission of further information, which had now been submitted.

The Director of Finance also reported that the Finance & Policy Committee had approved proposed increases to overseas tuition fees.

The Court decided: to approve the report.

(2) Financial Forecasting and Controls

The Court received a report from the Director of Finance which outlined improvements being made to financial forecasting and controls (**Appendix 4**).

The key improvements were in management accounting, *inter alia* through the introduction of ledger-based accounting; in the introduction of spend controls on departmental reserves; and the inclusion of all non-cash items impacting on the year-end figures. The piloting of a commitment accounting system in the Finance Office and its eventual roll-out along with the development of e-Procurement would also contribute to improvements.

There was discussion of departmental reserves and the controls introduced on the rate of spend from these funds. A situation where spend commitments can only be recognised when they hit the cash flow was recognised as insupportable, but it was also noted that salaries were being paid out of some of the controlled accounts, and that a degree of flexibility would need to be exercised. There was clearly an issue of educating local account-holders on the impact of their spending on the University's cash flow. The Director of Finance re-iterated that money was not being taken away from account holders, but that the rate of spending from the accounts would need to be controlled. The College Heads would play a key role in controlling expenditure.

(3) Financial Statements – Year Ended 31 July 2006

The Director of Finance presented a draft of the University's Financial Statements, which had already been presented to and approved by both the Audit and Finance & Policy Committees.

The Director of Finance explained that the Corporate Governance statement had been amended slightly to include a paragraph on Risk Management, and that Financial Reporting Standard 17 (valuing pension schemes) had been incorporated into the accounting policies used in the Statements.

The Court decided: as recommended by the Finance & Policy Committee and the Audit Committee, to

approve the Financial Statements for the year ended 31 July 2006.

21. GOVERNOR DEVELOPMENT PROGRAMME

The Chairman brought the prospectus of the Governor Development Programme from the Leadership Foundation for Higher Education to members' attention, asking them to contact the Clerk to Court if they wished to attend any of the events. The University would cover the cost of attendance.

22. COMMUNICATIONS FROM THE SENATUS ACADEMICUS

The Court received a report from the meeting of the Senatus on 29 November 2006 (**Appendix 5**).

The Court decided: (i) to approve the recommendation that, in accordance with Statute 10(1)(h), the Deans of Schools, not otherwise elected by their Colleges, be co-opted to membership of the Senate;

(ii) otherwise, to note the report.

23. COMMITTEE REPORTS

The Court received reports from the following:

Campus Services Committee	14 November 2006	(Appendix 6)
Remuneration Committee	20 November 2006	(Appendix 7)
Audit Committee	28 November 2006	(Appendix 8)

The Court decided: to approve the reports.

24. STAFF

Exercise of Delegated Powers: Professorial and Other Grade 10 Appointments

The Court noted the appointment of the following:

Dr Alan Tricker	College Secretary, Arts and Social Sciences	11 August 2006
Mr Ian Leith	College Secretary, Life Sciences	1 September 2006

Ms Elizabeth Littler College Secretary, Art & Design, 4 September 2006
Architecture, Engineering &
Physical Sciences

Mr Peter Evans College Secretary, Medicine, 1 November 2006
Dentistry & Nursing and Deputy
University Secretary

25. **SHARED SERVICES WITH THE UNIVERSITY OF ABERTAY, DUNDEE**

The Secretary reported that a small group, consisting of himself, Professor Calderhead and the Director of Human Resources, had been set up with colleagues at the University of Abertay to explore opportunities for sharing services between the two institutions. The Secretary would report back on any progress. The Director of Information Services reported that Information and Communication Services was also exploring areas of shared service.

26. **STAFF GRIEVANCE**

The Principal reported that a Grievance Committee comprising Bruce Johnston, Janet Lowe and Professor Alan Page had considered and reported on a grievance by a member of staff against two senior staff in the University. The person taking the grievance does not accept the findings of the Grievance Committee Report and an appeal mechanism will now be established.

27. **DEPUTY SECRETARY & CLERK TO COURT**

The Chairman paid tribute to the work of Mr Peter Evans, who had acted as Clerk to Court for the past ten years. The Chairman commented that he had always been able to rely on Mr Evans, and also highlighted Mr Evans' care with the minutes of Court and his skilful and detailed understanding of Court business. Mr Evans, for his part, had enjoyed working with Court and would be sad to move on, although excited by the prospect of the challenge of his new role as College Secretary to the College of Medicine, Dentistry and Nursing. It had been a privilege, he said, to work with the lay members, in particular.

APPENDIX 1

**EXTRACT FROM STATUTE 9 – THE COURT
(Minute 15)**

APPENDIX 2

PRINCIPAL'S REPORT (Minute 17)

Restructuring

The new structure is now up and running with all four colleges and 16 schools established and operating. Professor Irene Leigh, Vice Principal and Head of College of Medicine Dentistry and Nursing took up her post in Dundee on 20 November. School secretaries have now been appointed to almost all of the 16 schools; the exception being the School of Life Sciences Research and interviews will take place before Christmas. Appointments to College and School Boards are also complete for Life Sciences, and Arts & Social Sciences and will be completed soon for Medicine Dentistry & Nursing and Art & Design, Architecture, Engineering & Physical Sciences.

Finance

Key issues related to the financial sustainability of the University are as follows:

2005/6 Year End Year Result

The 2005/6 final accounts will show a deficit of £1.65m – reflecting a 5.8% increase in income over the year and a 7.6% increase in expenditure. The key pressure points were inadequate research overhead recovery, substantial increases in utility costs and other non-pay budgets and some increases in staff costs. This result has to be set against the 2005/6 target of a £2.2m surplus and was particularly disappointing because of problems in our budgeting and forecasting systems. Progress made in tackling these issues is noted elsewhere on the agenda.

2006/7 Targets

The financial plan and the current financial forecast for 2006/7 is for a surplus in the range £5. This is almost entirely dependent on the sale of land and buildings and, whilst there is a lot of work to do to hit this target, there is reasonable confidence that we can achieve it. Tight budgets were set in the run in to 2006/7 and it is not clear at this stage whether or not we can move closer to an underlying position of break even for 2006/7. This will require careful scrutiny of vacancies, delays in filling posts and other savings on non-staff budgets. The risks associated with this approach cannot be properly assessed until a further review of staffing budgets and fee income is completed. This is also the most difficult year of our capital investment programme and the timing of certain schemes will have to be carefully judged to ensure that we do not breach our cash flow targets or borrowing limits.

Decision Making Timetable

The key points to note are:

- The government changed the timing of the economic cycle and slipped the 2006 spending review to 2007. In normal circumstances, we might have expected some additional uplift in funding for 2007/8 (e.g. to reflect higher staff costs) but this will not be forthcoming. The earliest point at which we might receive additional funding is April 2008 – the beginning of the SFC financial year and the tail end of the 2007/8 University financial year. In a tight public spending environment we should not be optimistic about this;
- SFC resource allocation decisions for 2007/8 will be known in March 2007, based on the published figures from the 2004 spending review. Resource allocation decisions for 2008/9 / 2009/10 and 2010/11 will depend on the outcome of the 2007 spending review and there will be no clear signals about this in Scotland until after the elections to the Scottish Parliament in May 2007 and no firm decisions about the allocation of resources until March 2008.

Additional Cost Pressures

In thinking forward, we should not underestimate the additional costs/pressures we face in addition to those already budgeted for in the period 2006-9. These total at least £10m viz:

Pay award	£5.075
Pensions	£1.748
Utilities	£3.130

On current trends we might also experience some decline in our research overhead (c £1m) and the policy of research pooling across Scotland's universities also limits our discretion on the use of SFC research funding.

Sustainability Review

It is against this background that we have set up the sustainability review to examine the action required to safeguard the short and long term position of the University. This group is working on the basis that we have to make revenue savings or increase income by about £13m during 2007/8 and 2008/9 and that, following a period of peak spending in 2006/7 (the current year) capital expenditure will have to be pegged back to annual spend of about £10 – 15m, balancing the requirements for long term maintenance and new projects.

The sustainability review will report to Court in February 2007, following discussions with the Senior Management Team and the Finance & Policy Committee. I envisage that the group will make recommendations in the following areas:

- the range and volume of our academic activities
- workforce and workload planning targets
- savings from staff vacancies
- reductions in student and academic support service costs and
- revised targets for income generation from overseas students, postgraduate provision, short courses, research overhead recovery and commercialisation.

I also expect recommendations on

- a new financial model which incentivises income generation
- a restatement of capital priorities – and
- targets for savings on the use of space and utilities

Higher education and other public expenditure programmes on which we depend – eg. health, social care and schools education – are likely to be very tight in the period 2007-2011 and we will have to restrict spending and do all that we can to boost income. There is nothing in the Government's Pre-Budget Report of 6 December 2006 which eases my concerns about future levels of public spending. The Institute of Fiscal Studies' assertion that there will be 'a step down in the rate of increase' of public spending is the key point to note.

I will ensure that there are opportunities to discuss these issues in detail with Senate when the work of the sustainability review has been completed.

Learning and Teaching

A group of senior pupils and their teachers from one of Singapore's top rated schools have spent two weeks at Life Sciences shadowing students in a project led by Professor Mike Ferguson and designed to attract high calibre international students.

New links between the University and two institutions in South Korea are being celebrated with an exhibition of contemporary Korean architecture in the Crawford Building.

An inaugural lecture launching the new School of Architecture with guest lecturer Professor Leon van Schaik on Energising Cities, was exceptionally well attended and particularly well received by senior students. A number of other prestigious lectures have taken place at the University during Semester 1.

Dundee is one of a number of Scottish universities participating in a project to help improve teacher training in Malawi through the provision of a two-year Bachelor of Education top-up degree in primary education.

Research and Enterprise

Detailed meetings are now progressing with the unit of assessment groups to prepare for the 2008 RAE. The Pre-Budget Report confirmed that this will go ahead as planned and that a different assessment system will be phased in between 2010 and 2014. Under the new system science, engineering, technology and medicine will be treated differently to all other subjects. The latter – including the arts, humanities and maths – will be assessed according to a ‘light-touch’ peer review similar to the old exercise but with a ‘significantly reduced’ administrative load. For science, engineering, technology and medicine the assessment will be based on ‘metrics’, objective statistical indicators such as the number of times research is cited by other researchers or the amount of research income a discipline earns.

The implications of these changes are unclear but could well be of benefit to Dundee.

The Pre-Budget Report also signalled the publication of the Cooksey Report on the organisation of medical research. This majored on improved arrangements for the drug development process and the key action points are:

- establish an Office for Strategic Co-ordination of Health Research (OSCHR) to act as central co-ordinating body;
- OSCHR to set strategy and agree budget with Treasury;
- funds to be distributed by Medical Research Council for academic studies and by National Institute for Health Research for National Health Service work;
- NHS to take more pro-active approach to the uptake of cost-effective new idea and technologies;
- create partnership between government, regulators and industry to pilot a new ‘drug development pathway’;
- OSCHR to brand projects that could address unmet health needs as ‘UK Priority Health Research Projects’.

This new approach will have a bearing on the future distribution on Medical Research Council and NHS R & D budgets, a key issue for Dundee. As the implications of this change are clarified in relation to Scotland, there may well be opportunities for the University to build on its strengths in relation to commercialisation, industry partnerships and drug development.

In the latest stage of the Scottish Funding Council SRDG round, the University is leading on one project – Postgenomic Technologies led by Professor Roland Wolf, with the University of Edinburgh - and is involved in four others.

A two day update on the EU Framework 7 Research Funding which commences in January 2007 has been held. Christina Miller from the UK Research Office in Brussels met researchers in all colleges for detailed discussions on the programmes’ funding opportunities.

SFC has given ‘in principle’ approval to the NRP Engineering and the SIRE (the Scottish Institute for Research in Economics) pooling initiatives both with significance for Dundee. Details of the funding have yet to be made public and they are now being taken forward in more detail. The University is also benefiting from pooling initiatives in computing, geography, policing, life sciences and water law, policy & science.

The University has partnered with Sigma Capital Group plc, the specialist asset management and advisory group, to support spin out developments and maximise the commercial value of technologies developed by the University.

Awards and Honours

Professor Irwin McLean of the College of Medicine Dentistry & Nursing was announced as ‘a clear winner’ of the prestigious Times Higher Award for the Research Project of the Year 2006, against fierce competition. His discovery of the principal gene behind eczema and the often related condition of asthma has attracted enormous international interest.

Dr John Rouse of the College of Life Sciences has been selected by the European Molecular Biology Organisation (EMBO) as an EMBO Young Investigator - one of only 21 in Europe and 5 in the UK to

receive this award for outstanding young researchers. His research aims to understand how cells recognise and repair DNA damage to prevent mutations and diseases such as cancer.

Discovery Days

Programmes are now available for the 2007 Discovery Days. 23 new professors including nine from the College of Arts & Social Sciences will deliver showcase presentations on 11 and 12 January. I would encourage Court members to use these days to extend your understanding of our University, to build your internal University networks and to draw in support from colleagues, partners and potential partners outside the University.

Alan Langlands
December 2006

APPENDIX 3

FINANCE & POLICY COMMITTEE (Minute 20(1))

A meeting of the Committee was held on 20 November 2006.

Present: Mr B W M Johnston (Convener), Principal, Professor D H Boxer, Professor A Burchell, Dr H Marriage, Mr J Milligan, Ms A Newton and Dr M R Ward.

In Attendance: Mr R Burns, Secretary, Director of Strategic Planning, Director of Information Services, Director of Finance, Deputy Director of Finance, Mr G A Campbell, Ms L A Wilson, Mr J Barnett, Mr I Lee (Ernst & Young), Professor M Davies (for Item 5), Miss P Elliott (for Item 7) and Ms L Moir (for Item 7).

1. MINUTES OF PREVIOUS MEETING

Resolved: to approve the minutes of the meeting on 9 October 2006.

2. MATTERS ARISING FROM PREVIOUS MEETING

Borrowing (Minute 2(1)) (Commercial – In Confidence)

The Director of Finance reported that the three strands of the borrowing strategy had been presented to the October 2006 meeting of the Scottish Funding Council. The Council had approved the borrowing subject to the University submitting a revised Strategic Plan Forecast which included all strands of borrowing and confirmation that cash flows submitted in support of the borrowing request had included the impact of the 2005/06 result. Current borrowing was well below forecast.

3. 2005/06 FINANCIAL STATEMENTS

The Director of Finance reported that the pre-audit year-end forecast had remained unchanged. The 'headline' result for the year was a deficit of £1.6M. The underlying deficit (before gains from the sale of properties and accelerated depreciation) was £2.4M.

A list of the reasons for the difference between the year-end result and the surplus forecast had been circulated to the Committee between meetings. The Director of Finance explained the actions being taken on all of these matters to avoid future difficulties in forecasting and to tighten controls on spending.

It was proposed to move to a ledger-based system which would help to ensure that the management accounts forecasts were a better predictor of the year-end position.

The cash flow summary, which included assumptions of external funding for capital projects (including the Clinical Research Centre), showed the difficulties in remaining within the borrowing limits approved by Court and the Scottish Funding Council.

Mr Lee (Ernst & Young) noted a very major improvement in the preparation of the annual accounts this year and highlighted issues related to budgetary control. The results for each of the subsidiary companies were also presented to the Committee.

Resolved:

- (i) to approve the draft accounts subject to the correction of the staff information at Note 6, the addition of Note 29 and the inclusion of reports by the Convener and Principal.
- (ii) to invite the Internal Auditors, through the Audit Committee, to review whether the Finance Office proposed actions were likely to be sufficient to improve forecasting.
- (iii) to note that Ernst & Young had also offered to assist in reviewing control systems relating to forecasting.

- (iv) to note that a VAT assessment from October 2004 remained outstanding and that this remained a risk (even though Ernst & Young agreed with the RCB Partnership, University VAT advisers, that the level of provision is likely to be sufficient).
- (v) to note that there were no outstanding claims in respect of superannuation provision for part-time employees and that any future claims were likely to be low.
- (vi) to invite the Director of Finance to ensure that Colleges and Student and Academic Support Services understood the importance of stock-taking being carried out on an annual basis.
- (vii) to invite the Director of Finance to report to a future meeting on progress with budgetary control (noting, in particular, the difficulty of controlling expenditure from departmental funds).
- (viii) to thank Ms Wilson for her work in co-ordinating the annual accounts.

4. MANAGEMENT ACCOUNTS

The Deputy Director of Finance presented Management Accounts to 30 September 2006. As this report covered the early part of the year (where expenditure patterns on other operating expenses were not yet clear) the main focus was on staff costs. Some changes, welcomed by the Committee, had been made to the layout of the reports. It was noted that there was a total favourable balance of £1.3M (this being the net effect of £1.5M adverse on income and £2.8M favourable on expenditure). This, however, related mainly to non-pay expenditure not yet reflected in the ledger and did not, therefore, represent a real underspend.

A forecast had been prepared in very broad terms identifying changes in assumptions and new factors which impacted on the current year budget. A full re-profiling of pay and inclusion of actual fee income would be done during December. Bringing the Management Accounts layout in line with that of the Financial Statements had revealed an underlying deficit of £2.5M (including FRS 17 costs of £1M) Further work was being done to bring the budget back to break-even and this would be reported to the next meeting of the Committee.

The Principal commented on the harsher public expenditure environment, the pay settlement and increased Funding Council ring-fencing (thereby reducing local flexibility).

5. FINANCIAL SUSTAINABILITY GROUP

The Director of Finance, the Secretary and Professor Davies made a presentation on initial proposals to ensure future financial sustainability in line with the 'Financial Framework – 2006/07 Budget and Financial Projections to 2010/11' approved by Court in June 2006. A sub-group of Court, chaired by the Convener, had met to review the proposals in more detail.

A data profiling exercise was nearly complete. Benchmarking would then take place with a view to making recommendations that would safeguard the short and long-term financial sustainability of the University.

It was noted that the results of the Financial Sustainability Exercise were likely to be wide-ranging and that effective communication (internal and external) would be vital. The proposals would be likely to result in core staffing levels being reduced. The problem of overheads for charity-funded research was also a major issue. The Committee commented that a savings culture needed to be engendered as well as a new financial model which incentivised income generation.

6. CAPITAL PROJECTS – REPORT ON POST-COMPLETION OPERATIONS

The Director of Finance reported on details of business plan performance, post-completion, of major capital projects approved under the K2 process.

The paper provided some reassurance that the investments either brought direct benefits or enabled other developments to occur. The Health Informatics Centre and the Geotechnical Engineering Project had performed well and a further analysis of the Queen Mother Building would be undertaken in due course.

7. **OVERSEAS TUITION FEES 2007/08**

The Director of Registry reported on proposed Overseas Tuition Fee levels for 2007/08.

Resolved: to approve the proposed Overseas Tuition Fees for 2007/08.

8. **TMRI UPDATE**

The Director of Strategic Planning reported on a positive meeting with the Scottish Executive. A decision on whether further funding is to be made available was expected within weeks. Design work for the new building had started and the temporary accommodation within Life Sciences was established and working.

9. **FINANCIAL ADVICE**

The Director of Finance provided details of the company (Thomas Miller) who were providing advice on borrowing. This was noted and approved. It was suggested that Mr Christopher Smith should be invited to speak at a future meeting of the Committee.

APPENDIX 4

FINANCIAL FORECASTING AND CONTROLS (Minute 20(2))

Analysis of Forecasting Differences

A detailed, line-by-line comparison of budgets, forecasts and out-turn has been undertaken to identify areas where forecasting failed to identify the developing deficit and where deficiencies in budgeting and forecasting revealed through this review impacted on the current year budget. This exercise confirmed the major variances which were identified to the Finance and Policy Committee and Court. Three key areas of improvement were identified:

- Improvements in management accounting, forecasting processes and controls;
- Spend controls from brought forward balances and budgets (departmental reserves);
- Inclusion of all non-cash, year-end entries which impact on the University's overall declared surplus.

Problems of Forecasting

One of the key difficulties in forecasting is that net spend is spread across thousands of individual budgets, projects and funds cost centres. Each of these cost centres has an authorised signatory structure and the responsibility for the speed and nature of spend is delegated to individuals in Schools and Colleges. In addition, some of the spend from these budgets and funds may be of a nature and size which requires capitalisation. As the extent of capitalisation is not easy to forecast, there may be movement between net revenue out-turn and capital spend towards the end of the year. This movement has no cash impact.

Some of the overspends identified in Staff and Student and Academic Services were influenced by external factors, most notably the increases experienced in heat light and power costs and one-off items not covered by insurance.

Reporting Mechanism and Forecasting Mechanism

We have begun to revise the way in which management accounts are produced by the Finance Office. Some improvements in reporting were made in 2005/06 with high level reports regularly being presented to the Senior Management Team, linked to the top-level Finance and Policy Committee management account report. These reports were spreadsheet based with information being extracted from the ledger and reworked into the reports as presented. There are risks in this process of lack of completeness of data, incorrect transcription, weak audit trails of adjustments made, and inconsistencies between spreadsheets produced and the source data.

To minimise these risks, we will in future generate all reports directly from the ledger requiring accountants to carry out month-end accruals and the entry of profiled budgets onto the ledger system. A project plan for this development has been produced and the proposals will be reviewed by the Internal Auditors to ensure best practice and adequacy of controls.

This revised approach allows reporting to be derived from the ledger data and reports can be accessed at different levels and retrospectively. This will dovetail with the work underway to implement commitment accounting across the University. At a time when College Accountants are being asked to carry out a wider range of activities, we have identified a resource constraint on how we make improvements to the systems as proposed. To deal with this we have begun a recruitment process for a new team member with a central co-ordinating role, both to drive implementation of the planned changes and to absorb some of the central functions which, as a Finance Office, we are required to maintain to a high standard. It is hoped that the new post will be filled in early February 2007.

In preparing the period 2 and 3 management accounts we have taken into account any areas where the forecasting inadequacies in 2005/06 impact on 2006/07. These have been brought into the 2006/07 forecast and form part of the management accounts reported to Finance and Policy Committee and the Senior Management Team. We are also carrying out a full review of the current-year staffing budget, prepared over six months ago, to ensure forecasting for this, our largest element of cost, is as accurate as

possible. Fee income for the current year has now been fully posted to the accounting system from the student records system. This will also be the subject of detailed scrutiny to enable an accurate forecast for this significant element of income.

Cash Limits on Reserves

To assist Vice-Principals and College Heads in managing their budgets through the current year, the Finance Director is meeting them monthly. These meetings will provide an opportunity to review high-level reporting arrangements, brief College Heads on new systems and controls, and scrutinise spend from individual fund balances and budgets to ensure that this does not exceed cash limits set in June 2006.

Communications with SFC

The Funding Council was informed of the 2005/06 out-turn, and officials were briefed ahead of the decision taken by SFC to approve the borrowings proposed at its recent meeting. The Funding Council have asked for confirmation that the cash flows submitted to them in support of the borrowing consent request incorporated the cash impact of the 2005/06 year-end (which they did) and that a revised strategic plan forecast be submitted incorporating the borrowing proposals. This was submitted to them on 17 November 2006. We await final confirmation of the Council's borrowings approval.

APPENDIX 5**COMMUNICATIONS FROM THE SENATUS ACADEMICUS
(Minute 22)**1. **PRINCIPAL'S REPORT**

The Senatus decided: to note the report.

2. **MEMBERSHIP OF THE SENATUS**

The Senatus decided: in accordance with the terms of Statute 10(1)(h), to recommend to the Court that the Deans of Schools, not otherwise elected by their Colleges, be coopted to membership of the Senatus.

3. **RECTORIAL ELECTION – FEBRUARY 2007**

The Senatus decided: in terms of Statute 4(5)(c), to delegate to the Academic Secretary the authority to appoint two presiding officers from amongst the most recently appointed Professors.

APPENDIX 6

CAMPUS SERVICES COMMITTEE (Minute 23)

A meeting of the Committee was held on 14 November 2006.

Present: Dr L A L Rolland (Convener), Dr R Abboud, Mr S Blane, Ms C Bain and Dr B Gillies.

In Attendance: Dr D Duncan, Mr D Yule, Mr A McColgan, Mr G Davies, Mr L Morrison, Mr D Mitchell and Mr M Galloway.

1. MINUTES OF PREVIOUS MEETING

Resolved: to approve the minute of the meeting on 29 September 2006.

2. MATTERS ARISING

(1) Public Art Policy (Minute 2(2))

The Director of Campus Services stated that the Public Art Policy Sub-Committee had not yet been set up but would be led by either himself or Mr Davies. The remit of the Committee would also have to be defined.

Resolved: to establish a Public Art Policy Group and define its remit.

(2) Traffic Management (Minute 2(3))

The Director of Campus Services reported that a study by consultants Dougall Baillie was underway and would conclude in January 2007.

Resolved: to await a report back to the Committee with Dougall Baillie's recommendations.

(3) New Building Tours (Minute 8)

The Director of Campus Services confirmed that there was an open invitation to Court members to tour new buildings.

In addition, there will be opportunities for future building users to view the new facilities in advance of handover dates when the sites present a safe environment to visit.

3. CAPITAL PROGRAMME & REPORTS ON PROJECTS OVER £2M

The Head of Estates invited the Committee to comment on any of the project reports. Committee members asked whether the Library and Teaching Block would be completed in time for the transfer of Gardyne Road Campus staff and students. The Head of Estates confirmed that the Teaching Block should be completed in time, and that a revised timescale for completion of the Library Extension was currently under discussion with the builders.

4. ESTATES STRATEGY

The Director of Campus Services stated that he was responsible for preparing an up to date Estates Strategy by December 2007, in line with the Scottish Funding Council requirements. The Estates Strategy would be led by the University Strategic Plan and a draft version would be issued to SMT, Campus Services Committee and Court in June/July 2007. He stated that it was his intention to produce a document which not only complied with Scottish Funding Council requirements but which would also be useful to the University and would then be updated every other year.

5. **DESIGN REVIEW GROUP**

The Head of Estates invited the Committee members to ask questions on any of the reports. He confirmed that the Campus Green project had been postponed due to financial constraints and that the Carnegie Annex feasibility study was progressing. Design of the disabled ramp to the Teaching Block was still subject to conclusions of the Traffic Management Study.

6. **GREEN TRAVEL GROUP UPDATE**

The Head of Estates outlined the Green Travel initiatives being promoted and the partnership with Dundee City Council. He also outlined future initiatives and the need to work with other organisations in the City in order to achieve them. Committee members asked if it would be possible to increase the frequency of the University bus service to Ninewells. The Head of Estates said that resources did not permit this at present, but this would be reviewed in 2007 in light of the move from Gardyne Road. Mr Galloway confirmed that there was now a Council bus service every 15 minutes from Ninewells to the City campus.

7. **CAPITAL PROJECT AUTHORISATION PROCEDURE**

The Director of Campus Services highlighted the need to clarify the present capital authorisation procedure and outlined how this could be improved and made more transparent. This was increasingly relevant in light of the Sustainability Review Group remit.

Resolved: to prepare a draft paper for the February Campus Services Committee

8. **ENERGY GROUP**

The Facilities Manager, Mr Morrison, outlined the anticipated energy demands and cost for the current year and described the energy saving measures that had already been put in place by Estates.

Mr Morrison stated that an Energy Action Group would work with the Colleges and Schools to increase awareness and accountability.

Presently, the University energy costs are part of the Campus Services budget and Campus Services has little control over costs. He proposed that the tax system should be changed so that Schools are responsible for their own costs. Future savings by Schools could be shared by the University. The Convener and Committee members agreed that this was a responsible approach and should be investigated.

Resolved: to set up an Energy Action Group and investigate transfer of energy costs to individual Schools budgets.

9. **SPACE MANAGEMENT GROUP**

The Director of Estates confirmed that Colleges and Directorates had been issued with a best practice code for the effective use of space. He stated that the Funding Council continue to request Universities to demonstrate effective use of space.

10. **ANY OTHER BUSINESS**

(1) Sustainability Review Group

In light of the Sustainability Review Group, Dr Duncan confirmed that he had asked the Director of Campus Services to review the senior management structure within Campus Services.

(2) Cluster Group

The Director of Campus Services reported that he was looking at other areas where a sharing of efforts with Abertay University and Dundee College would bring benefits.

(3) DSV Residences

Mr Galloway congratulated the University on the appearance of the new DSV residences.

APPENDIX 7

**REMUNERATION COMMITTEE
(Minute 23)**

A meeting of the Committee was held on 20 November 2006.

Present: Mr J Milligan (Convener), Mr R Burns, Ms A Newton, Ms E Robertson.

In Attendance: Principal (for part of the meeting); other officers also attended parts of the meeting to advise on specific items.

1. The Convener welcomed Mr Burns to his first meeting of the Committee. The Committee met to conduct a review of non-clinical professorial and ALC grade 10 salaries.

2. Salary increases were agreed as follows:

<u>College</u>	<u>2006/07</u>
	£
Art & Design, Architecture, Engineering & Physical Sciences	6,000
Arts & Social Sciences	11,000
Life Sciences	4,000
Medicine, Dentistry & Nursing (non-clinical)	7,000
Student & Academic Support Services	6,000
Principal's Office	---

3. A total of £34,000 (cf £106,500 in 2005) was distributed selectively to 18 individuals from the eligible group of 155 members of staff. In reaching decisions on this matter, the Remuneration Committee took note of the relevant college salaries over the last five years, issues of gender equity and University sector comparators.

4. Two exceptional payments were agreed for academic staff in the College of Medicine, Dentistry and Nursing. One related to paying a market supplement to attract the individual to Dundee the other was to replace an award from a charity which comes to an end in December 2008.

5. The Committee considered proposals for honoraria to be paid to Deputy Principals, Deans of Schools and Associate Deans as a result of the restructuring. The honoraria approved were as follows:

	£
Deans	6,500
Deputy Principals of Schools	4,000
Associate Deans	2,500

6. Two 'in-year' decisions which had been taken by the Principal were approved by the Committee. The cases involved salary increases for retention purposes.

APPENDIX 8

AUDIT COMMITTEE (Minute 23)

A meeting of the Committee was held on 28 November 2006.

Present: Mr R Burns (Convener), Mr J Barnett, Mrs S Brown and Dr J Lowe.

In Attendance: Mr B W M Johnston, Secretary, Deputy Secretary, Director and Deputy Director of Finance and Ms L A Wilson; Mr J Bishop, Mr I Lee and Ms A Martin (Ernst & Young); Mr A Gray (PricewaterhouseCoopers).

1. MINUTES OF PREVIOUS MEETING

Resolved: to approve the minutes of the meeting on 26 September 2006.

2. MATTERS ARISING

(1) Internal Audit Follow-up Review (Minute 2(2))

Mr Gray indicated that follow-up work on outstanding audit recommendations made prior to 2004/05 was on-going. As a result, it was planned to submit a report on this work, together with a follow-up review on more recent recommendations, to the Committee's next meeting in March. Thereafter follow-up reviews would revert to the agreed biannual cycle, with reports in May and November.

(2) Committee's Terms of Reference (Minute 3)

The Committee noted that, in response to the query raised at the last meeting concerning internal control responsibilities, the minutes of the Finance & Policy Committee and the original paper submitted to it had been consulted. Accordingly an amendment had been made to a relevant paragraph in the proposed terms of reference.

Resolved:

- (i) to approve the amended terms of reference (annex A), for submission to Court;
- (ii) to reaffirm the intention, in line with best practice in corporate governance, to review the Committee's terms of reference on an annual basis (in September).

3. FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2006

The Committee considered the following documents in turn:

(1) Draft Financial Statements

The draft Statements were presented by the Director of Finance, who updated members on the status of various component sections and drew attention to significant changes from last year's Statements. Arising from discussion of pensions issues, it was noted that the development of a revised SORP for further and higher education would need to embrace international accounting standards while avoiding the potentially destabilising effects of accounting practices adopted for charities.

It was agreed that the results of subsidiary companies were generally not significant. Dundee Student Villages, an associate company, had recorded a deficit, but initial losses had been projected in the business plan. It was noted that the future performance of DSV might be affected by emergent competitors in the city, although the University residences were considered to be well positioned in the market.

Resolved:

- (i) to remove the reference in the Statements, in the report of the Convener of the Finance & Policy Committee, to

increases in staff costs as a contributory factor to the University's deficit;

- (ii) to expand the Convener's report, as well as the relevant part of Note 29, to give more information to the non-specialist reader on how the pension schemes were valued;
- (iii) while the results of subsidiary companies were consolidated in the Group accounts, to request that the detailed accounts of subsidiary companies should be brought to the Committee in future;
- (iv) otherwise, to recommend to Court that the Financial Statements should be adopted.

(2) Auditors' Report

In discussion of the report, it was pointed out that the individual variances contributing to the divergence between forecast surplus and reported deficit were spread over a number of areas, indicating a lack of robustness in financial controls. It was agreed that it was the Audit Committee's responsibility to investigate the underlying reasons for the problem and, while much work had been done recently by the Director of Finance and his staff, further assurances should be sought on the effectiveness of control systems. One area highlighted in particular was expenditure from departmental reserves: the introduction of a commitment accounting system would improve the monitoring capability, but there was a need also to educate academic staff on the status of reserves within the University economy and the importance of obtaining proper authority for expenditure.

For the benefit of Committee members who were not members of the Court, Mr Johnston summarised the measures being taken at University level to address the deficit situation, including the setting up of a sustainability group. It was emphasised however that, irrespective of the year-end result, the financial climate for the sector as a whole would be very difficult for at least the next three years.

- Resolved:**
- (i) to invite the internal auditors to undertake a further study on the adequacy of financial reporting and forecasting in the University;
 - (ii) to note the report.

(3) Management Letter

- Resolved:** to note the issues raised in the letter and to approve the requisite management responses also included.

4. **PRIVATE MEETING WITH AUDITORS**

All officers except the Deputy Secretary withdrew for this item. The external auditors confirmed that they had nothing to add to their report which could not be discussed in the presence of officers. There had been full and frank discussion with management on issues arising from this year's audit. The management team of the Finance Office had responded well to the auditors' concerns last year over the year-end close process. The auditors shared the concern of members, however, over the effectiveness of financial reporting and the very late awareness of the impending deficit; they believed that more emphasis should be placed on monthly analyses and reporting, rather than relying too heavily on year-end procedures.

In further discussion it was acknowledged that it was difficult for an organisation with a turnover of £160m to achieve target results precisely every year. External factors which had undermined the institution's financial projections during the course of the year were also highlighted.

5. **INTERNAL AUDIT**

The Committee received a progress report on internal audit activity and noted that the auditors were on target to bring the annual programme fully into line with the financial year by 31 July 2007.

The Committee also received a model reporting template for future internal audit studies, as well as the auditors' annual report for the year ending 31 July 2006. It was noted in relation to the latter that the auditors' assurance on the adequacy of internal control procedures was subject to the implementation of agreed actions set out in an appendix (comprising the briefing note on modernising the University's financial arrangements which had been submitted to the Committee's previous meeting – minute 4(1)).

Resolved:

- (i) to approve the template for future internal audit reports;
- (ii) to approve the annual report, subject to inclusion of the operational plan for 2006/07 (as required by the SFC Code of Audit Practice).

6. **ANNUAL REPORT OF THE COMMITTEE**

Resolved: to approve a draft annual report on the Committee's work in 2005/06, for submission to the Court and SFC (annex B).

7. **RISK MANAGEMENT STRATEGY**

The Committee received a revised risk management strategy for the University, as had been recommended by the recent internal audit report on risk management. The Deputy Secretary drew attention to key changes which had been made, viz explicit recognition of the responsibilities of the Audit Committee and of the Senior Management Team, the reconstitution of the Risk Management Monitoring Group, and a higher profile for disaster recovery and business continuity planning.

Resolved: subject to minor amendments, to recommend approval of the strategy (annex C) to Court.

8. **LEGAL/REGULATORY COMPLIANCE MATTERS**

The Secretary reported that the dispute with Riverside Biosciences had been resolved, the company having withdrawn its significant claim against the University. He also referred to two other matters which were currently subject to legal proceedings.

9. **JOINT MEETING OF AUDIT COMMITTEES**

The Committee noted that the next joint meeting of the Audit Committees of the Universities of Abertay, Dundee and St Andrews, due to be hosted by the University of St Andrews in November, would now take place in the first quarter of 2007.

10. **EXTERNAL AUDIT CONTRACT**

Following withdrawal of all the auditors, the Committee discussed arrangements for a tender exercise to identify a provider of external audit services for a contractual period commencing with financial year 2006/07.

Resolved:

- (i) to approach five identified firms for expressions of interest;
- (ii) to follow a similar process to that adopted for the previous tender exercise in 2003, with the exception that references would not be sought;
- (iii) to aim to complete the selection process by the earliest feasible date in 2007.

AUDIT COMMITTEE: TERMS OF REFERENCE**CONSTITUTION AND OPERATION****Membership**

- The Committee shall comprise not less than three members of the Court, all of whom shall be lay members, i.e. to the exclusion of members of staff of the University and full-time students.
- The Chairperson of Court shall not be a member of the Committee.
- The Committee may co-opt, with the approval of the Court, additional lay persons with appropriate expertise who are not members of the Court. The number of such co-opted members shall not exceed half of the membership.
- At least one member of the Committee shall have a financial or accounting background.
- The Convener of the Committee shall be appointed by the Court and shall be a member of the Court. In the absence of the Convener at any meeting of the Committee, the Committee shall appoint any of its members as Acting Convener for that meeting.
- The quorum for any meeting of the Committee shall be three members, at least one of whom must be a member of the Court.
- No member of the Committee shall concurrently be a member of the Court's Finance & Policy Committee, although the Convener of the Finance & Policy Committee may attend meetings of the Audit Committee.¹

Authority

- The powers delegated to the Committee by the Court shall be as defined in the Schedule of Delegation.
- The Committee shall have full authority to investigate any matters within its terms of reference. For the purposes of such investigation it shall be provided with adequate resources and full access to information and University personnel.
- The Committee shall have authority to obtain, without prior approval, legal or other independent professional advice within a financial limit determined by the Court (currently £15,000).

Proceedings

- The Committee shall meet four times annually and shall report, through submission of the minutes of each meeting, to the next available meeting of the Court.
- Each meeting of the Committee shall normally be attended by the University Secretary and the Director of Finance and, where business relevant to them is to be discussed, representatives of the internal and external audit services.
- The Committee's Secretary shall normally be the Clerk to Court.

¹ A reciprocal right of attendance at meetings of the Finance & Policy Committee is granted to the Convener of the Audit Committee.

DUTIES AND RESPONSIBILITIES

Effectiveness and Financial Control

- to review the robustness of financial and other control systems and to ensure that the Court's policies on internal control are implemented by delegated officers.
- to ensure that all significant losses have been properly investigated, and that the internal and external auditors and the Funding Council have been informed if appropriate.
- to oversee the University's policy on fraud and irregularity.
- to oversee the University's corporate governance arrangements.
- to monitor, annually or more frequently if necessary, the implementation of approved recommendations arising from both internal and external audit reports and management letters.
- to monitor the effectiveness of the internal and external audit services, including attendance at Committee meetings, and promote co-ordination between the two.
- to monitor the University's arrangements to secure value for money, whether these are made via internal or external audit or other means.

Risk Management

- to advise the Court on the effectiveness of risk management in the University, on the basis of regular reports from the Risk Management Monitoring Group and appropriate audit work.

Internal Audit

- to advise the Court on the appointment and remuneration of internal auditors.
- to consider and advise the Court on the internal audit needs assessment and the strategic and annual internal audit plans.
- to consider and advise the Court on issues arising from internal audit reports.
- to receive an annual report from the internal audit service, which should include an opinion on the degree of assurance that can be placed on the system of internal control.

External Audit

- to advise the Court on the appointment and remuneration of external auditors.
- to guide the external auditors on the nature and scope of the audit as necessary.
- to consider and advise the Court on external audit reports and management letters.
- to consider and advise the Court on the University's annual financial statements, ensuring the proper application of agreed accounting policies.
- to monitor any advisory or other non-audit work undertaken for the University by the external auditors, to ensure that their independence is not compromised.

Other

- to ensure the University's compliance with the Funding Council's Code of Audit Practice.
- to receive and review reports relating to audit prepared by the Funding Councils, National Audit Office, European Commission and other bodies, and to advise the Court as necessary.
- to make an annual report on the work of the Committee for submission to the Court and the Funding Council.

AUDIT COMMITTEE: ANNUAL REPORT 2005/06**1. MEMBERSHIP AND MEETINGS**

The Committee's membership was increased for 2005/06 with the appointment of John Barnett, a business and fund-raising consultant recruited through the Graduates' Council. The only other change was the replacement of Councillor Maggie Taylor with new Court member Janet Lowe. The continuing members of the Committee were Court members Bill Sutherland (Convener) and Willie Wilson, together with Stephanie Brown of Craigowl Communities and Jacqui Thomson of Parr Architects. Collectively the Committee's membership possessed broad experience of commercial operations and financial management.

Meetings of the Committee were held on the following dates, with 4-6 members present on each occasion:

27 September 2005
29 November 2005
7 March 2006
24 May 2006

The Convener of the Finance & Policy Committee, Mr Bruce Johnston, attended all these meetings.

2. FINANCIAL STATEMENTS – YEAR ENDED 31 JULY 2005

The Committee received draft financial statements for the University at its November meeting, following their approval by the Finance & Policy Committee. Having considered the report of the external auditors, the Committee recommended to the Court that the financial statements should be accepted. The Committee also approved the auditors' draft management letter and the associated management responses: the most significant issue identified was the need for more robust procedures relating to the year-end close process, as deficiencies in this regard had contributed to an audit overrun.

In a private meeting with the Committee, the external auditors confirmed that they had no concerns to disclose about the annual accounts which could not be discussed in the presence of officers. There was frank discussion, however, about the reasons, on both sides, for the audit overrun. At the Committee's subsequent meeting in March, the Director of Finance reported on revised arrangements in the Finance Office to address the concerns which had been raised about the year-end process.

3. APPOINTMENT OF AUDITORS

Following a tender process conducted over the summer, all members of the Committee participated in a selection event preceding the September meeting and agreed to recommend the appointment of PricewaterhouseCoopers as internal auditors for a period of three years from 1 November 2005. This recommendation was approved by the Court.

On the Committee's recommendation, Ernst & Young's appointment as external auditors was extended for one extra year (i.e. financial year 2005/06), with RPI adjustment to their fees. The Committee stated its intention to conduct a full tender exercise for external audit services for the period thereafter.

4. INTERNAL AUDIT

The incoming auditors, PricewaterhouseCoopers, presented a draft Audit Needs Assessment and Strategic Plan for the three-year period to 2007/08 to the November meeting: this was signed off by the Committee at the subsequent meeting in March, subject to final details being agreed between the auditors and officers. PricewaterhouseCoopers confirmed that they had not identified any additional key risks beyond those already included in the institutional risk register. The Committee noted that the identification of a number of cross-cutting topics for internal audit might well lead to an overall reduction in the number of reports; also, that

operational reviews of academic units would be carried out at faculty level rather than for individual departments/schools.

PricewaterhouseCoopers reported to the May meeting on a review of recommendations from the 2004/05 internal audit programme. The review showed that as at March 2006, of 47 higher priority and selected other recommendations made in Henderson Loggie reports, 16 had been fully implemented, 23 had been partly implemented and 8 had not been implemented. The auditors indicated that the pattern of implementation revealed was not, in their experience, unusual. The Committee asked the auditors to extend this transitional follow-up review to include outstanding recommendations made prior to 2004/05; also, to have regard to material value when gauging the level of priority appropriate to individual recommendations (both in this follow-up work and in their own reports), and to identify revised target dates for the implementation of all outstanding recommendations in future follow-up reports.

During 2005/06 the Committee received reports on the following internal audit assignments:

Henderson Loggie

General Ledger
Residences
Student Debt Management VFM¹
Review of Management of Capital Projects and Financial Resources²
Information and IT: Data Protection and Freedom of Information
Centre for Learning & Teaching
Sickness Absence and Staff Development
Endowments and Donations
External Relations – International Student Recruitment
DUSA – Society Grants and Budgetary Control
Student Retention

PricewaterhouseCoopers

Financial Reporting and Budgetary Control²
Control Risk Self-Assessment

Each report was considered in detail, with the auditors and officers addressing comments and questions from Committee members.

5. **AUDIT COMMITTEES: GOOD PRACTICE GUIDANCE**

At its September meeting the Committee reviewed its current procedures in the light of guidance provided in the revised, second edition of the CIPFA *Handbook for Audit Committee Members in Further and Higher Education*. A series of action points was agreed to ensure closer compliance with best practice: these were all addressed within the subsequent twelve-month period. Two of the more significant outcomes of this exercise were approval by the Court of (a) a detailed policy statement on the prevention and investigation of fraud and (b) delegated authority to the Committee to obtain, without prior approval, legal or other independent professional advice within a specified financial limit (£15k).

6. **RISK MANAGEMENT**

In reviewing the University's risk register, the Committee identified an additional risk, viz a reduction in overall government funding for the higher education sector, which was subsequently incorporated in the register by the Risk Management Monitoring Group.

The Committee also received a completed annual return by the University to Research Councils UK concerning institutional policy with regard to good scientific practice. The Committee was satisfied with the controls in place to prevent and investigate scientific misconduct, but suggested that they needed to be elaborated in the institutional risk register.

¹ A joint study carried out with Deloitte, on behalf of the Universities of Abertay, Dundee and St Andrews.

² These reports were forwarded, at the Committee's request, to the Finance & Policy Committee.

7. INTER-UNIVERSITY COLLABORATION

The University of Dundee hosted the fourth annual joint meeting on 22 November 2005 of the Audit Committees of the Universities of Abertay, Dundee and St Andrews. Martin Fairbairn of the Scottish Funding Council was an invited speaker and gave presentations on the Efficient Government Initiative and on developments in higher education audit practice. The meeting reviewed a joint study commissioned from Henderson Loggie and Deloitte on student debt management. The scope for further collaborative activity was discussed and identified areas were subsequently progressed by the three Directors of Finance.

8. AUDIT COMMITTEE SELF-ASSESSMENT

The Committee agreed in September to carry out a self-assessment exercise, prompted by the availability of a 'self-assessment tool' produced by Ernst & Young to facilitate compliance with best practice as advocated by the FRC Combined Code. After further discussion of methodology at the joint meeting with the Universities of Abertay and St Andrews (see above), the Committee decided at its March meeting to proceed: accordingly both members and officers were invited to complete individually a self-assessment questionnaire.

Analysis of the questionnaires was undertaken by the Committee Secretary, who reported to the following meeting. It was noted that the lowest aggregate scores and associated comments had occurred in relation to the section of the questionnaire on understanding roles and responsibilities; members seemed generally more satisfied with the Committee's performance in the other sections, relating to process. Several changes in procedure were agreed as a result of the self-assessment exercise, including (a) improved induction for new members of the Committee who were not Court members, and (b) the introduction of a standing agenda item for Committee meetings, providing an opportunity for the University Secretary to report on any significant matters relating to legal or regulatory compliance.

9. OTHER MATTERS

The following issues were kept under continuous review by the Committee, with regular reports during the year:

- (a) The Committee continued its interest in student debt, having pursued this topic throughout 2003/04 and 2004/05. A report was received on the position at 31 July 2005; further reports were requested and received, analysing student debt by home/overseas status and by faculty, clarifying the pattern of aged debt, and separating out debt which was subject to approved deferred payment arrangements. Despite these enquiries, the Committee recognised that by comparison with the sector the student debt position in the University was not a major cause for concern.
- (b) The Committee continued to receive progress reports, which had been regularly received during 2004/05, from the University Secretary on the dispute between the University and the purchaser of student flats which had been owned by the University. The dispute had arisen from the unauthorised transfer to the purchaser, by the University's solicitors, of the title deeds for parts of the premises which had not been included in the sale. At its March meeting the Committee was advised that legal action was continuing and that it might be a long time before this affair was concluded. The Committee decided that, since it had already been established that there was no liability to the University, to require no further reports on this matter unless there was any significant change in the position.

RISK MANAGEMENT STRATEGY

Risk management may be defined as a means of reducing the risks of adverse events occurring which threaten an organisation's core business, controls or infrastructure, by systematically identifying and evaluating such risks and then seeking ways to prevent their occurrence or minimise their impact. Risks for the University may be associated with staff, students or visitors, buildings and equipment, finance and insurance, or operating arrangements and working practices.

The aims of the risk management strategy are:

- (a) to engender and sustain a culture of risk management throughout the University;
- (b) to motivate staff to take ownership of risks and undertake responsibilities that relate to risk management;
- (c) to embed risk management in normal business processes;
- (d) to ensure that the organisation's approach to risk management is effective through the use of monitoring techniques.

The strategy will be underpinned by awareness raising, staff development and training where required.

The prime responsibility for risk management, as an integral part of the institution's internal control system, lies with the Court. In accordance with accepted best practice, the Court has delegated responsibility for the oversight of risk management processes to the Audit Committee. Detailed coordination of risk management activities at an operational level is the responsibility of the Risk Management Monitoring Group, which will submit biannual reports on its work to the Audit Committee and ensure that the Senior Management Team is suitably briefed on risk management. The Senior Management Team will be responsible for ensuring that the University's risk profile is matched to the aims and objectives espoused in the institutional strategic plan.

The remit of the Risk Management Monitoring Group will be to:

- (a) identify high-level risks affecting or likely to affect the University as a whole;
- (b) monitor performance at institutional level and at the level of individual Colleges and Student and Academic Support Services in identifying, evaluating and mitigating (or eliminating) key risks related to all aspects of the University's activities;
- (c) heighten awareness of risk management and promote standardised approaches to risk assessment as an integral part of business planning and project management;
- (d) ensure that there are adequate and effective plans across the University for crisis management, disaster recovery and business continuity.

The Monitoring Group will meet at least twice a year.

The membership of the Risk Management Monitoring Group will comprise:

- University Secretary (Convener)
- Clerk to Court
- College Secretaries
- Directors of Campus Services, External Relations, Finance, Information Services, and Research & Innovation Services – or their nominees
- Finance Manager (Insurance)
- Head of Safety Services

Administrative support for the work of the Risk Management Monitoring Group will be undertaken by the Clerk to Court (who is also Secretary to the Audit Committee). Under the direction of the University Secretary, the Clerk to Court will fulfil the role of Risk Management Co-ordinator and will be responsible for:

- (a) championing the aims of the risk management strategy;
- (b) developing standardised procedures for identifying, evaluating and reporting on key risks;
- (c) maintaining and updating an institutional risk register;
- (d) liaising with the Director of Human Resources on risk-related staff development and training.

Heads of Colleges and Directors of Student and Academic Support Services will take devolved responsibility for:

- (a) identifying key risks associated with their particular activities;
- (b) assessing the threat posed by each risk;
- (c) defining and implementing the steps required to minimise or prevent risk;
- (d) identifying areas where disaster recovery and business continuity plans are required, and developing and maintaining such plans;
- (e) reporting on the above to the Risk Management Monitoring Group.

Risks associated with major projects (such as capital building projects) will be examined as an integral part of the authorisation process (in accordance with the HEFCE publication 99/21, *Appraising Investment Decisions*).

Finally, it should be noted that the purpose of this strategy is not to eliminate risk altogether, but rather to prevent or mitigate those risks that the University deems unacceptable. As an integral part of its work, and in consultation with the Senior Management Team and the Audit Committee, the Risk Management Monitoring Group will also identify those areas of activity where a degree of calculated risk to the University is considered acceptable and desirable.