

# **John Wheatley College**

## **Board of Management**

### **Audit Committee**

**Minutes of the Audit Committee held on Monday 5 December 2005 at 12.30 pm in the Conference Room of Strathclyde European Partnership, 94 Elmbank Street, Glasgow.**

#### **1. Sederunt**

The meeting commenced at 9am and was attended by:  
D O'Brien(Chair);  
M Cloonan; and  
A MacDougall (from 12.35pm)

In Attendance:

I Graham (Principal)  
A Kirk (Depute Principal);  
Al Sherry (Assistant Principal);  
M Blyth (Baker Tilley);  
C Clinton (Baker Tilley);  
Helen Russell (Audit Scotland);  
R Stewart (Clerk to the Board);  
J Gow (Chief Finance Officer)  
M Brennan (Financial Adviser to the Board);  
A Inglis (Assistant Principal); and  
S Wilkie (for recording purposes only).

#### **2. Apologies**

J Kerrigan

#### **3. Declaration of Interest**

There were no declarations of interest expressed at this Committee meeting.

#### **4. Terms of Reference**

Members noted the terms of reference for the Audit Committee. It was confirmed that the meeting was quorate with 3 members in attendance.

#### **5. Minutes of the Audit Committee held on 22<sup>nd</sup> September 2005**

The minutes of the previous meeting were taken as read. They were accepted as an accurate record of the meeting held on 22<sup>nd</sup> September 2005.

#### **6. Matters arising from the Minutes of the Previous Meeting**

**Item 8 – Report on Internal Audit Visit June 2005 – Fee Waiver System Review**

The Depute Principal informed members that Baker Tilly had visited the College in November 2005 and indicated that progress had been made with regard to the administration of the fee waiver procedures. He also informed members that a follow-up visit would be undertaken in May 2006.

#### **Item 9 – Internal Audit Annual Report 2004-05**

The Principal informed members that all of the recommendations which had been carried forward would be reviewed in January 2006.

The Depute Principal confirmed that all the recommendations made by BDO Stoy Howard had now been overtaken. The Chair requested that a report be brought to the next meeting of this Committee on the audit action plan detailing that all BDO recommendations have been cleared.

#### **Mr MacDougall arrived at the meeting at this point (12.35pm).**

The Principal agreed to ensure that a copy of this report would be available to members at the next scheduled meeting of the Committee.

The Chair requested that the Risk Register for the New Campus be considered at the next scheduled meeting of the Committee. A Kirk agreed to undertake this task.

### **7. Correspondence**

#### **(a) Audit Scotland**

##### **(i) External Audit Appointments 2006/07 – 2010/11**

I Graham informed members that this correspondence from Audit Scotland detailed the current position on external audit appointments and its procurement strategy. The Principal further reported that the College anticipated that there would be a change of external auditors following the conclusion of the current term of office for Audit Scotland.

The Chair sought re-assurance that an appropriate handover period would be agreed between Audit Scotland and their replacements. H Russell confirmed that a handover would take place.

##### **(ii) 2004/05 Financial Statements**

Members noted the contents of the correspondence.

#### **(b) Scottish Parliament**

##### **(i) Audit Committee Report on College Finances**

Members noted the contents of the correspondence from the Scottish Parliament.

**(c) Scottish Executive**

**(i) European Regional Development Fund**

The Principal informed members that another on-the-spot verification audit would be made in January 2006. Mr Graham confirmed that a summary paper of both visits would be brought to a future meeting of the Committee.

**8. Audit Scotland Management Letter SAS 610**

H Russell spoke to the contents of her letter on the College's statement of Auditing Standard 610. She advised that Audit Scotland is obliged to advise those charged with governance of a body of key information from the Statement of Auditing Standard 610 Communication of Audit Matters. She detailed these to members confirming that the annual accounts for financial year 2004/05 were a fair and accurate record and the Audit Scotland had made no qualifications as to their accuracy.

H Russell informed members that Audit Scotland and the Scottish Funding Council (SFC) had adopted differing views on the treatment of the disposal of the Shettleston campus however this did not materially impact on the annual accounts and was of a technical nature. J Gow informed members that the approach adopted by the College with regard to this treatment had been endorsed by senior officers of SFC. There followed a brief discussion on the technical details of this approach to the disposal of the Shettleston campus.

Members agreed to note the contents of H Russell's letter.

**9. Audit Scotland Independent Auditor's Report**

Ms Russell spoke to the contents of the Independent Auditor's Report and advised members that she prepares the papers for the College and then passes them to a senior member of staff in Audit Scotland to sign off. She further informed members that this report sought to give members re-assurance on the accuracy of the annual accounts and the robustness of the systems which the College had put in place to meet the requirements of SFC Financial Memorandum and the requirements of auditors. In response to questions H Russell confirmed that Audit Scotland were content with the conduct of Baker Tilly in their role as Internal Auditors.

Members of the College's Audit Committee agreed to note the contents of the Independent Auditor's report.

**10. Audit Scotland – External Audit Report of John Wheatley College 2004/05**

Ms Russell spoke to Audit Scotland's draft report on the 2004/05 audit. She drew members' attention to the Executive Summary and detailed the main responsibilities and duties on the range of matters that emerged from the audit of the College for the year to 31 July 2005. She informed members that the College's financial statements give a true and fair view of its financial position as at 31 July 2005. She confirmed that the audit

report was unqualified and that the College had appropriate financial procedures in place. H Russell also reported that Audit Scotland were content with the quality of work of Baker Tilly as Internal Auditors.

In reply to questions H Russell confirmed that she was content to accept the treatment of debtors as incorporated in the accounts, against the understanding that the position would be reviewed in the current year.

H Russell thanked the Principal and his staff for their assistance with the audit process.

Members of the Audit Committee agreed to note the contents of the draft report.

#### **11. Draft Annual Report and Financial Statement 2004/05**

The Principal reported that this report is being presented today for information only. He advised that the report and its annexes have been previously presented and discussed at an earlier meeting of the Financial Control Committee held on 1 December 2005.

The Principal reminded members that the papers would not be placed in the public domain until publication is approved by the Auditor General. He informed members that he anticipated that this would be early in the spring of 2006.

Members of the Audit Committee agreed to note the contents of this report and its annexes.

#### **12. Draft Annual Audit Report in Financial Year 2004/05**

Due to a misunderstanding a draft of this report had been prepared and issued to members and it was requested that this now be set aside. A Sherry then issued the draft which had been prepared by the Chair for members consideration. The Principal reminded members that a finalised version would be tabled at the forthcoming Board meeting after taking cognisance of any comments which members may make at this meeting.

The Chair reminded members that this report sought to inform the Board of the activities of the Committee during financial year 2004/5. D O'Brien highlighted the positive comments made by Audit Scotland on the improvement in College procedures and welcomed the progress which had been made in addressing outstanding action points from the BDO Stoy Hayward reports.

The Chair asked Mr Blyth and Mr Clinton from Baker Tilly and Ms Russell from Audit Scotland whether they had any comments to make. They declined this offer.

The Chair referred to Appendix 3, Baker Tilly's report on the Collection of 2004-2005 Student Activity Data, he asked M Blyth whether this paper could be circulated. M Blyth replied that he was content for it to be more widely circulated.

The Chair referred to Appendix 4, Audit Scotland draft report on the 2004/05 Audit and asked Ms Russell whether Audit Scotland would have any objection of this paper being circulated. Ms Russell replied that she was also content for this to be circulated.

Members of the Audit Committee agreed to note the contents of the Chair's report and its appendices.

### **13. Internal Audit Needs Assessment**

I Graham referred to the letter written by M Blyth reminding members that that College managers cannot approve the Internal Audit Needs Assessment as this is the responsibility of the Audit Committee. The Principal further reminded members that the college's is consulted as a matter of courtesy with regard to the scheduling of the proposed activities, however, it has no role to play in devising or agreeing the activities of the Internal Auditors.

M Blyth proceeded to highlight the main areas contained in the strategic audit plan for 2003-20005 and the operational audit plan 2005-2006.

In response to questions M Blyth confirmed that the first four audit areas indicated in their report had already been overtaken. .

Members of the Audit Committee agreed to note the contents of Baker Tilly's report.

### **14. SFEFC: 2004-05 Data Return for Funding Purposes and Audit Guidance**

A Inglis spoke to his report informing members of the progress made in relation to the audit of data returns required for funding purposes for academic year 2004-05. He also informed members that this paper would be considered at the Board of Management scheduled for 8 December 2005.

The Assistant Principal reminded members that the College's activity target and initial fee waiver grant allocation for 2004-05 were 33,371 weighted student units of measurement (WSUMs) and £933,995. He reported that the College prepared its activity and fee waiver data for scrutiny by its internal auditors (Baker Tilly) during the week beginning 3<sup>rd</sup> October 2005 and that following that audit it had been confirmed that the College had met its activity and fee waiver targets for 2004-05.

Members of the Audit Committee agreed to note the contents of the Assistant Principal's report.

### **15. Audit Scotland – Technical Bulletin**

#### **(i) June 2005**

The Principal referred to page 9 – Corporate Governance Developments, Financial Reporting Council (FRC) – Review of Turnbull Guidance. He informed members that there were no radical changes to the guidance and that the College would take cognisance of these as appropriate.

The Principal referred to page 44 – Application of FRS 17 to FECs with regards to Strathclyde Pensions Fund. He informed members that more detailed guidance would be issued in due course

**(ii) September 2005**

The Principal referred to page 40 Corporate Governance Developments. Mr Graham reported that there is nothing contained within this correspondence that the College has not dealt with.

Mr Graham referred to page 10 Environmental Accounting. He indicated that the College anticipated that it would receive support from the SFC strategic funding initiative to take forward a pilot project to develop sustainable development accounting procedures in collaboration with 3 other Colleges. Members welcomed this development.

Members of the Audit Committee agreed to note the contents of the Technical Bulletin's from Audit Scotland.

**16. Internal Auditors: Terms of Office**

The Chair spoke to his report and reminded members that Baker Tilly were appointed as the College Internal Auditors in October 2003 following an external tender exercise. The appointment was for a period of two years with an option to extend the contract for a further year. He requested members to note that Baker Tilly had indicated their willingness to accept the one year extension.

Having heard the Chair members of the Audit Committee agreed to:

- (i) note the contents of the Chair's report;
- (ii) for the Chair to bring forward a report to the next scheduled board meeting recommending the continued appointment of Baker Tilly as Internal Auditors until December 2006; and
- (iii) for the Chair to inform the Board of the need to conduct an external tender exercise for Internal Audit Services by October 2006.

**The College's management team left the meeting at this point (1.20pm). Mr Gow remained with the approval of the Chair of the Committee. S Wilkie remained for recording purposes only.**

**17. Self Evaluation of Audit Committee – Financial Year 2004/05**

Mr O'Brien advised that Mr Brennan would be taking note of any amendments and Mr MacDougall would detail the gradings that members agreed upon for assessment.

Mr O'Brien proceeded to go through all the sections contained within the self assessment inviting comments from members, making his own observations and requesting Messrs Brennan and McDougall to confer outwith the meeting on possible conclusions for further discussion.

It was agreed that M Brennan would produce a draft report for consideration at the meeting scheduled for 8 February 2005

**18. Closure**

The meeting closed at 3pm with the Chair thanking all members for their contribution.

**19. Date of Next Meeting**

Members were advised that the next meeting of the Committee would take place on Wednesday 8 February 2006 at 12.30pm at Strathclyde European Partnership, Elmbank Street, Glasgow.