

John Wheatley College

Board of Management

Audit Committee

Minutes of the Audit Committee held on Thursday 16 June 2005 at 9am in the Board Room of the College of Building and Printing, North Hanover Street, Glasgow.

1. Sederunt

The meeting commenced at 9am and was attended by:

D O'Brien(Chair);
J Kerrigan; and
A MacDougall (Support Staff Representative)

In Attendance:

I Graham (Principal)
A Kirk (Depute Principal);
Alan 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);
S Wilkie (for recording purposes only).

2. Apologies

None

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 17th May 2005.

The minutes of the previous meeting were taken as read. They were accepted as an accurate record of the meeting held on 17 May 2005.

6. Correspondence

Letter to Chair of Audit Committee – Audit Priorities 2005/06

Mr Graham advised that item 9 should be referred to the next Executive Committee and item 10 to the Capital and ICT Committee. Members agreed to note the contents of this correspondence.

7. Report on Internal Audit Visit April 2005 – IT Systems

The Chair asked that this report be presented to the next Capital and ICT Committee.

Mr Kirk spoke to his report informing members of the contents of the Internal Audit report on IT Systems which was undertaken in April 2005.

The Depute Principal reported that a total of one (1) recommendation was made and it fell under the category of medium. The recommendation was the need for users to regularly change passwords in order to access both the network and email accounts. Mr Kirk informed that this had now been actioned.

The Chair asked whether the DREAM system was working adequately. Mr Kirk confirmed that the new system was an effective management tool.

Members of the College's Audit Committee agreed to:

- i) note the contents of this report and its appendix;
- ii) note the audit recommendations contained in Baker Tilly's report on IT Systems;
- iii) note the College's proposed action to address the audit recommendations;
- (iv) request the College to address the audit recommendations and update the Audit Action Plan; and
- (v) request the College to bring forward an update report at the next meeting of the Audit Committee.

8. Report on Internal Audit Visit April 2005 – Facilities and Estates Management Review

The Depute Principal informed members of the contents of the Internal Audit report on Facilities and Estates Management undertaken in April

2005. There were a total of eight (8) recommendations. The recommendations fell into the following grades:

High grade – 2 (two);
Medium Grade – 3 (three); and
Low Grade – 3 (three)

Mr Kirk highlighted the two (2) high grade recommendations. These were:

1. no procedures in place to ensure that all contractors are aware and accept the College's health and safety procedures. A Kirk reported that appropriate action had been taken to address this recommendation; and
2. following a recent review of the structure of its Facilities and Estates Section, roles and responsibilities of the personnel have yet to be updated. The Principal informed members that Facilities and Estates management would be included in the review of College Management structures which would commence in August 2005.

Members noted these comments and endorsed the College's proposed actions.

Members of the College's Audit Committee agreed to:

- i) note the contents of this report and its appendix;
- ii) note the audit recommendations contained in Baker Tilly's report on Facilities and Estates Management;
- iii) note the College's proposed action to address the audit recommendations;
- (iv) request the College to address the audit recommendations and update the Audit Action Plan; and
- (v) request the College to bring forward and update report at the next meeting of the Audit Committee.

9. Report on Internal Audit Visit April 2005 – Purchasing and Creditor Payments

Mr Kirk spoke to his paper informing members of the contents of the Internal Audit report on Purchasing and Creditor Payments undertaken in April 2005.

The Depute Principal confirmed that there was one (1) recommendation which had been characterised as low. The recommendation highlighted concerns about deliveries for construction and the delivery notes not been signed off as per College procedures. He confirmed that the Chief Finance Officer had instigated appropriate changes to ensure that procedures were complied with.

Members of the Audit Committee agreed to

- i) note the contents of this report and its appendix;
- ii) note the audit recommendations contained in Baker Tilly's report on Purchasing and Creditor Payments;
- iii) note that there were three recommendations from an earlier report which had no action implemented;
- (iv) request the College to address the audit recommendations and update the Audit Action Plan; and
- (v) request the College to bring forward and update report at the next meeting of the Audit Committee.

10. Report on Internal Audit Visit April 2005 – Staff Absence

Mr Kirk spoke to the Internal Audit report on Staff Absence undertaken in April 2005.

The Depute Principal confirmed that no new recommendations were highlighted. However the report had commented that there was a lack of uniformity by line managers in implementing absence management procedures.

The Principal informed members that he has written to all College managers, line managers and supervisors reminding them of their duties with regard to the operation of absence management procedures. He further informed members that he had requested that the Personnel section should inform him of those who did not comply with the procedures in order that he may discuss this failure to comply with procedures personally. He had also arranged the personnel Manager to again apprise all such staff of their specific duties in these respects prior to the start of session 2005/06.

The Principal reported that sickness absence had been identified as the key threat in both individual team and College-wide SWOT analysis activity. This suggested that there was a college-wide recognition of the seriousness of the current situation. This was, he opined, a helpful starting point to improve further the College's position.

The Principal informed members that the College was currently reviewing the Absence Management Policy and it was anticipated that a revised policy would be considered by the Board early next session. In response to questions the Principal reported absence rates appeared to be declining in those areas where the policy and procedures were applied effectively.

Members of the Audit Committee agreed to

- i) note the contents of this report and its appendix;

- ii) note that there were zero audit recommendations contained in Baker Tilly's report on Staff Absence;
- iii) note that there were three recommendations from an earlier report which required further management action;
- (iv) request the College to address the audit recommendations and update the Audit Action Plan; and
- (v) request the College to bring forward and update report at the next meeting of the Audit Committee.

11. John Wheatley College – Internal Audit Progress Report Session 2004/2005

The Chair requested that Baker Tilly bring forward a report which gave updated details of the progress which had been made against full Internal Audit programme as agreed with the Committee. He further requested that such a report be a standing item on the agenda. M Blyth agreed to this request.

In response to questions the Depute Principal informed members that the internal audit visit was scheduled for mid June 2005 and would review fee waiver procedures. He reminded members that this visit had been rescheduled at the request of the College. Members agreed to note this report.

12. Additional Information Submitted to Strathclyde European Partnership

Mr Kirk spoke to this report informing members of the contents of, what the College anticipates will be, its last submission of additional information to Strathclyde European Partnership (SEP).

Mr Kirk also informed members that together with A Sherry and the Regional VAT Manager from Baker Tilly he had met with officers from Strathclyde European Partnership on the 18 May 2005 in order to clarify what was required when providing the additional information and to resolve the issues which related to VAT. He reported that following the input from representative of Baker Tilly this matter had now apparently resolved to the satisfaction of both SEP and the College. As a result of the meeting the Depute Principal informed members that College would require to include a clear statement in its annual accounts with regard to its VAT position for a period of up to 10 years. This would, the Principal reminded the Committee, would, as a consequence, require to be reflected in the Board's Audit Needs Assessment for a similar period.

The Chair was uncertain about the figures as presented, as the totals now displayed seemed to be greater than previously known and might imply pressure on funding.

A Kirk was happy to re-assure members that there had been no increases in cost in the project, any changes in cost they now saw reflected the

additional items being added on to the project and, with the latest agreements with SFEFC and others, all necessary funds were in place. Furthermore, members had the comfort that the Project Management Group were receiving all the necessary financial information on the project at all scheduled meetings thus ensuring that the necessary audit trail was being created.

Members of the Board's Audit Committee agreed to:

- i) note the contents of this report and its appendix; and
- ii) note the annual review of activity and VAT status required in relation to this project

13. Value-for-Money Strategy 2005/06

Mr Graham reminded members that it is necessary for publicly funded bodies to demonstrate that their decision making and subsequent service provision represents best value. He confirmed that the Scottish Further Education Funding Council has established a financial benchmarking exercise to inform College approaches to seeking better value for public expenditure in the Sector.

The Principal proceeded to highlight the key areas which the College proposed should form the focus of Value-for Money activities in academic/financial year 2005/06. These were re-tendering for internal audit, facilities management, security and child care services.

Mr Graham reminded members that the Internal Audit Plan normally makes provision for a review of value-for-money initiatives. This has previously been in the order of three (3) days. C Clinton informed members that in session 2004/05 four (4) days had been allocated and that he would recommend this allocation of time for session 2005/06. Members noted this information. The Principal suggested that his VfM report should be amended to reflect this situation prior to its consideration by the Board (at an appropriate future meeting).

In response to question the Principal informed members that it was not yet clear what financial benefits there would be (if any) to the Sector following the merger of the Funding Councils. He anticipated, however, that the central costs of the Council would rise faster than the quantum of resources available to the Further and Higher Education Sectors. This would, he opined, be a matter for Audit Scotland to keep under review.

Members agreed to note the contents of this report.

14. Audit Needs Assessments

The College's management team left the meeting at this point (9.35am). S Wilkie remained for recording purposes only.

C Clinton tabled copies of the draft operational Internal Audit Plan 2005-2006 to members informing members that he had previously met with

members of the Senior Management Team obtain their views on key areas for review.

He reported that following these discussions he proposed that the risk level for Corporate Governance and Payroll testing be amended from high to medium and to reduce the number of days on each from two (2) and three (3) to one (1) and two (2) respectively. This reflected that both areas had received high grade recommendations in the previous two years.

Following discussion it was agreed to allocate additional days to reviewing the Fixed Asset Register, Capital expenditure (as a result of the new build project) and staff absence as part of the value for money review. C Clinton proposed that with regards to staff absence the focus should be on the operation of the procedures by line managers. He further proposed that the College approach to dealing with debtors should be reviewed (as prioritised in the College's draft VfM Strategy for 2005/06 and as already recommended by the Committee).

In response to questions C Clinton informed members that the scheduling of Internal Audit activity across the year would be subject to the availability of staff however members would be informed of changes as part of the regular update reports which they had requested.

Mr O'Brien understood that there may be a number of temporary members of staff employed in some sections and absence would possibly have something to do with this.

Mr MacDougall asked whether this Committee should look at comparisons of absence levels between teaching and support staff.

Mr O'Brien replied and advised members that a report is regularly submitted to the Personnel and Staffing Committee which details the comparisons between academic and support staff. He noted that although support staff absence was lower than that for teaching staff there was no room for complacency in either respect.

The Chair advised that contracts and tendering had been omitted from the schedule in session 2004/05 and that in his view required to be included for the coming session. Members accepted this proposal.

Mr O'Brien invited members to comment on the proposed Internal Audit programme.

Mr Kerrigan proposed that the number of days allocated to Payroll should be increased since the College has experienced problems in the past. Mr Clinton reported that Baker Tilly had allocated 2 days to this area. Members agreed that an additional day be allocated to this area to bring it up to three (3) days if the auditors believed that this was required.

Mr O'Brien asked for clarification on the time required by Baker Tilly to spend on audit issues on the capital project. C Clinton informed members that this would be treated as a separate task and that he undertaken preliminary discussions with A Kirk on this matter.

Being no further discussion C Clinton agreed to revise the Internal Audit Plan in the light of the comments made by members.

Members of the College's management team rejoined the meeting at this point (9.50am).

The Chair advised members of the decisions taken by members of the Audit Committee. These are noted above.

The Chair advised that Mr Clinton would make minor amendments to the internal audit operational plan for 2005/06 in light of discussions today. I Graham asked that this amended version be considered at the first meeting of the Board of Management for information for the endorsement of all members. Mr O'Brien agreed.

A Sherry advised that a draft meeting schedule for next session would be issued with the papers for the June Board meeting.

15. Closure

The meeting closed at 9.50am with the Chair thanking all members for their contribution.

16. Date of Next Meeting

The date of the next meeting is to be confirmed.