

John Wheatley College

Board of Management

Audit Committee

**Minutes of the Audit Committee held on Tuesday 17 May 2005 at 12.30pm
in the Board Room of Strathclyde European Partnership, Elmbank Street.**

1. Sederunt

The meeting commenced at 12.30pm and was attended by:

D O'Brien (Chair);
J Kerrigan; and
A Macdougall from 1.05pm

In Attendance

I Graham (Principal);
A Kirk (Depute Principal);
B Forrest (Chief Accountant);
J Gow (Chief Finance Officer);
A Inglis (Assistant Principal);
A Sherry (Assistant Principal);
C Clinton (Baker Tilly);
H Russell (Audit Scotland);
R Stewart (Clerk to the Board);
M Brennan (Financial Adviser to the Board); and
L Crouchman (for recording purposes only).

2. Apologies

None

3. Terms of Reference

No declarations of interest were expressed at the meeting.

4. Declarations of Interest

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 meeting held on 9 February 2005 and matters arising

The minutes were accepted as a true reflection of the meeting held on 9 February 2005. There were no alterations for accuracy.

There were no matters arising.

6. Correspondence:

i) Baker Tilly – Control objectives for the internal audit areas reviewed in March 2005

I Graham informed members that this was the first time this information had been received from Internal Auditors and had been placed on the agenda for information.

Members noted the contents of the correspondence.

ii) Audit Scotland – Audit service quality survey – 2003/04 audits

Members asked for clarification of the phrase 'local performance audits'. H Russell informed members that this was a reference to value-for-money audit activities.

Members noted the contents of the correspondence.

7 Report on Internal Audit Visit March 2005 – Risk Management

A Kirk spoke to his report and reported that the College's Audit Plan requires the Internal Auditor to review various areas of College activity, highlighting that the area covered by this report was Risk Management.

The Depute Principal confirmed that the Internal Auditors had identified one 'Low Grade' recommendation which had previously been identified in the College's Operational Plan for session 2004/05.

With no further discussions, members agreed to:

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

8 Report on Internal Audit Visit March 2005 – Payroll

A Kirk informed members that, as with the previous report, the Audit Plan requires the Internal Auditor to review various areas of the College's Activity. The Depute Principal reported that the area covered by this report was Payroll.

A Kirk reported that there were no recommendations, the first time this had been achieved in this area of the College's activities.

In response to questions A Kirk informed members that the Payroll database was linked to the Personnel staffing database and that it was the responsibility of the Human Resources section to update this information.

Members agreed to:

- i) note the contents of this report and its appendix; and
- ii) note that there were zero recommendations contained in the Baker Tilly report on Payroll.

9 Report on Internal Audit Visit March 2005 – Corporate Governance

A Kirk informed members that the area covered in this report was Corporate Governance. The Depute Principal reminded members that was the second year that Internal Auditors had reviewed this area of activity and that following this review there were no recommendations.

Members agreed to:

- i) note the contents of this report and its appendix; and
- ii) note that there were zero recommendations contained in the Baker Tilly report on Corporate Governance.

10 Report on Internal Audit Visit March 2005 – Freedom of Information

A Kirk informed members that the area covered in this Internal Audit report related the operation of the Board of Management's Freedom of Information policy and associate procedures. He reported that this area had received a 'Medium Grade' recommendation which was in regard to the training of staff. A Kirk added that the College would review its training records and ensure all staff are in receipt of appropriate training at the earliest opportunity. In response to questions he confirmed that there would training events scheduled for the College's Quality Day programme.

With no further discussion, members agreed to:

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

- ii) note the audit recommendations contained in Baker Tilly's report on Freedom of Information;
- iii) note the College's proposed action to address the audit recommendation;
- iv) request the College to address the audit recommendation and update the Audit Action Plan; and
- v) request the College to bring forward an update report at an appropriate future meeting of the Audit Committee.

11 Audit Scotland – Study Programme 2005/06

I Graham spoke to this document highlighting the Estates Management section which, he reported, was an important that the College considered in detail as it embarked on the construction of the new East End Campus.

Members noted the contents of the document.

12 Report on Internal Audit Visit December 2004: Student Record and Information Systems Review

A Kirk informed members that this was the fourth report from visit which the Internal Auditors undertook during December 2004. The Depute Principal reported that this is an area in which the College is improving slowly however the pace of change had been influenced by the introduction of the new Unit-e management information software.

The Depute Principal further informed members that the report contained three 'Medium Grade' recommendations and the one 'Low Grade' recommendation which the College anticipated would be addressed by late April 2005.

Members discussed the possibility of online student application forms and the associated difficulties which the College would experience in authenticating such data under the current SFEFC guidance in this area which required actual signatures.

In response to questions the Depute Principal informed members that the College had introduced revised procedures which were designed to ensure that, as far as possible, that all class and course set-up data had been entered into the Management Information System prior to the commencement of classes. However he reminded members that due to the responsive nature of the College that on occasion this would not always be possible. A Kirk further informed members that the College would explore had best to make use of the advantages of the new Unit-e software to facilitate on-line enrolment within SFEFC guidance with a pilot project early in session 2005/06.

In response to questions regarding the security measures needed for A Kirk informed members that the College would introduce a range of

new security procedures including the need for both learners and staff to regularly change the password which they used to access the College computer network.

Being no further discussion members agreed to:

- i) note the contents of this report and its appendix; and
- ii) note the audit recommendations contained in Baker Tilly's report on Student Record and Information Systems.

13 Scottish Qualifications Authority Desk Audit – February 2005

A Sherry spoke to this report informing members of the most recent Scottish Qualifications Authority (SQA) desk audit which was conducted in February 2005. He reminded members that this annual audit was required in order that the College maintains its SQA devolved centre status. The Assistant Principal further informed members that the College had been required to provide a range of documentary evidence prior to the audit date. In addition the SQA conducted telephone interviews with members of the Quality Team to clarify information.

A Sherry informed members that the outcome of the desk audit was satisfactory demonstrating that there was the "effective application of College procedures" and, as a result the College continues to comply with the SQA quality agreement of 9 July 1999. There were two minor items contained in the report which required further action from the College. The first related to candidate entries for units and the second relating to the application of internal approval procedures. He added that appropriate steps had been taken to address these matters.

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

14 Performance Indicators for Auditors

A Kirk spoke to his report and reminding members that the aim of this paper was to identify and agree the Performance Indicators (PIs) which would be used to evaluate the quality and effectiveness of the Internal Audit service provided by Baker Tilly.

Following discussion members agreed that the College should consult further with Baker Tilly on the range of PIs to be used and subsequently bring forward an update report for consideration at an appropriate future meeting.

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

A Kirk informed members that this report sought to apprise members of the progress made by the Internal Audit service against the audit activities which had been planned for the year to date.

Following discussion C Clinton agreed to bring forward a report to an appropriate future meeting which detailed the planned activities for the year and the progress to date to assist members in obtaining an overview of Internal Audit activities.

Members noted the contents of the document.

A Macdougall joined the meeting at this point.

16 Sustainability Accounting and Reporting

I Graham informed members that the Committee be required to explore issues which might arise in accounting and financial matters related to 'sustainability'. The Principal proposed that the College should seek to review Accounting Practices to take account of the sustainable ethos the Board was seeking to embed in the culture of the College. He reminded members that the Board had approved a Sustainability, Environmental Protection and Waste policy at its meeting held on 16 February 2005.

He highlighted appendix 4 which contained a copy of a recently published discussion document produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) which concluded that the development of public sector accountancy practice to take account of the introduction of sustainable technology and management systems had been extremely slow. He further highlighted that the document also contended that there had been a failure to identify the potential of eco-efficiency in relation to the public sector's 'bottom line'.

In these circumstance the Principal opined that the College may wish to consider how best to develop its own approach to this issue within the context of its own financial regulations and those of its funders.

H Russell confirmed that she was unaware of this matter being discussed within Audit Scotland but undertook to make enquiries and report back to the Committee.

I Graham informed members that he had raised the sustainability agenda with Tom Kelly, Chief Executive, Association of Scottish Colleges (ASC).

In response to questions the Principal confirmed that the proposed revised Financial Memorandum issued by Scottish Further Education Funding Council (SFEFC) had contained no references to sustainable accountancy practices. He further reported advised that SFEFC was in

the process of developing a Capital Procurement in Sustainability Report however this had not yet been circulated.

With no further discussion members agreed to:

- i) note the contents of the Principal's report and its appendices;
- ii) request the College pursue issues related to the status of sustainability Accounting with the Scottish Further Education Funding Council (SFEFC) as described in the report; and
- iii) request the Chief Accountant to bring an 'issues paper' to the Committee related to the reporting of sustainability at an appropriate meeting in financial/academic year 2005/06.

17 Audit Scotland – Technical Bulletin 2005/1 – March 2005

The Principal highlighted that page 4 of the document contained information about Sustainability, which had been referred to in the last paper.

I Graham highlighted that three colleges had been included this document with regard to the nature of their financial position. In response to questions H Russell confirmed that the financial position of three colleges would be considered at the meeting of the Scottish Parliament's Audit Committee later that day.

18 Risk Register

I Graham spoke to the College's Risk Register informing members that this had been extensively revised following at College planning events management teams. However as part of the Board's approach to Risk Management all Standing Committees were also invited to comment and propose amendments from their perspective of the operation of the College. He further informed members that the new East End Campus had a separate Risk Register.

It was agreed that page 5, item 7 could now be changed to more accurately reflect that the College now had a specific Capital Project.

In response to questions A Kirk informed members that the College would produce monthly financial reports on the new East End Campus for consideration by the Project Management Group.

Following discussion it was agreed that the Clerk to the Board should have named responsibility within both of the risks identified within the Corporate Governance section.

With no further discussion, members noted the contents of the Risk Register subject to the proposed change.

19 Audit Committee Self Evaluation

A Kirk spoke to his report and reminded members that the College's Audit Committee was required to undertake an assessment of its effectiveness annual. He reminded members that they had requested that the College bring forward a format for this exercise. He then highlighted the contents of appendix one which contained a template for the evaluation of the activities undertaken by the Audit Committee. He informed members that this template was based on the methodology used by project teams within the College and was based on the approach required by the SFEFC/HMIE Quality framework.

In response to questions he informed members that A Sherry would assist members in using the template including the review of evidence and the balancing of strengths and weaknesses. However the Assistant Principal would play no part in the decision-making process in relation to the allocation of grades.

Following discussion members agreed to:

- i) note the contents of this report and its appendix;
- ii) consider the effectiveness of the operation of the Audit Committee over the last twelve months;
- iii) provide agreed comments for inclusion in the Audit Committee self-evaluation report;
- iv) agree specific grades for the Committee's main activities;
- v) agree an overall grade for the effectiveness of the Committee over the previous twelve months;and
- vi) request the College to include the completed report report on the agenda of an appropriate future meeting.

20 Audit Action Plan – Outstanding Grade 1 Recommendations

A Kirk spoke to his report and reminded members that at the last meeting of the Audit Committee Baker Tilly had agreed to review the College's Audit Action Plan which contained the outstanding Grade 1 Recommendations carried over from the work of the previous Internal Auditors.

The Depute Principal reported that of the 24 recommendations, 13 had been removed leaving 11 more to be removed.

Members agreed that it would be beneficial for this report to be discussed again early in session 2005/06. I Graham reported that the College does not seem to be adding any new Grade 1 recommendations, which was encouraging.

It was clarified that these recommendations, although current, were not new recommendations.

With no further discussion, members agreed to:

- i) note the contents of this report and its appendix;
- ii) note the Auditor's comments;
- iii) agree to the removal of the indicted Recommendation for the audit Action Plan; and
- iv) request the College to bring forward a further report to an appropriate future meeting of the Audit Committee.

The Chair requested that the agenda for the next scheduled meeting contain an item for discussion on the Audit Needs Assessment for academic/financial year 2005/06. He further requested that such a discussion should include comment from Audit Scotland on the reliance which they would place on the Internal Audit activities carried out by Baker Tilly.

21 Closure

The meeting closed at 1.30pm with the Chair thanking all members for their contribution.

22 Date of Next Meeting

The next meeting is scheduled for Thursday 16 June 2005 at 9am (rather than the usual time of 12.30pm) at a venue to be confirmed.