

John Wheatley College

Board of Management

Audit Committee

Minutes of the Audit Committee held on 18 November 2004 at 12.30pm at Strathclyde European Partnership, Elmbank Street, Glasgow.

1. Sederunt

The meeting commenced at 12.30pm and was attended by:

D O'Brien (Chair); and
J Kerrigan

In Attendance

I Graham (Principal);
A Kirk (Depute Principal);
A Sherry (Assistant Principal);
M Blyth (Baker Tilly);
S Muir (Baker Tilly);
H Russell (Audit Scotland);
R Stewart (Clerk to the Board);
B Forrest (Chief Accountant);
M Brennan (Financial Adviser to the Board);
J Wilson (Associate Principal -Quality);and
S Wilkie/S Vaughan (for recording purposes only)

2. Apologies

C McPhie;
A Woolley;and
D McConnell, Audit Scotland

The Chair welcomed Mr Stewart, the new Clerk to the Board and Suzanne Muir from Baker Tilly to the meeting.

3. Terms of Reference

Members noted the terms of reference for the Audit Committee. It was confirmed that the meeting was quorate with 2 members in attendance.

4. Declaration of Interest

There were no declaration of interest expressed at the meeting.

5. Minutes of the Audit Committee held on 31 August 2004.

The minutes of the previous meeting were taken as read. They were accepted as an accurate record of the meeting held on 31 August 2004.

6. Matters arising from the meeting held on 31 August 2004.

Mr O'Brien confirmed that he would attend the remainder of the Association of Scottish Colleges training events for the chairs of Audit Committees in session 2004/05.

7. Correspondence

i) JWC Letter to M Blyth – Internal Audit Report

Mr Graham noted that written consent from Baker Tilly is required by the College, as it will place this report in the public domain in due course. He also reported that the College was required to share this information with third parties such as the Scottish Further Education Funding Council.

Members noted this correspondence.

8. John Wheatley College Audit Action Plan – BDO Stoy Hayward

9. John Wheatley College Audit Action Plan – Baker Tilly

Mr Kirk requested that items 8 and 9 be considered together. Members agreed to this proposal.

Mr Kirk spoke to the Financial Advisor's report informing members of the Internal Auditor's findings regarding the Grade 1 recommendations contained in the Audit Action Plan, resulting from this review and other audit visits during 2003/04.

Mr Kirk reminded members that the BDO Stoy Hayward report had contained a total of 13 grade 1 recommendations. He reported that the implementation of the DREAM system and ICT would remain Grade 1 as these had yet to be reviewed - however the remaining grade 1 recommendations could now be removed following the work undertaken by Baker Tilly. In response to questions, the Depute Principal confirmed that work had been undertaken to overtake the recommendations relating to ICT, however these had not yet been reviewed by the Internal Auditors.

Mr O'Brien proposed that the Grade 1 recommendations relating to ICT should be audited separately and therefore added to Baker Tilly's Audit Action Plan for academic/financial year 2004/05. Members approved this proposal.

The Chair reported that Baker Tilly would follow up all Grade 2 and 3 recommendations to ensure that appropriate action has been taken.

For Item 8 Members of the Audit Committee agreed to:

- i) note the contents of this report;
- ii) note the Grade 1 audit recommendations contained in the Audit Action Plan;
- iii) authorise the removal of the 9 Grade 1 recommendations that the Internal Auditors are able to confirm as cleared; and
- iv) request the College to address the amended audit recommendations and update the College's Audit Action Plan.

For Item 9 Members of the Audit Committee agreed to:

- i) note the contents of this report;
- ii) note the HIGH Grade audit recommendations contained in Appendix 1;
- iii) authorise the inclusion of the 9 High Grade recommendations made by the Internal Auditors onto the College's Audit Action Plan; and
- iv) request the College to address the audit recommendations on the updated College Audit Action Plan.

10. Internal Audit Report: Cash and Treasury Management

Mr Forrest informed members of the Internal Auditor's report on Cash and Treasury Management and the College's Management response to their findings.

The Principal confirmed that the Treasury Management document is now available and a copy of it would be brought to a future meeting of this Committee.

D O'Brien then proceeded to go through the report and asked Mr Kirk whether there were limits on the amount of money that can be transferred between accounts. Mr Kirk replied that there are daily limits of cash that can be transferred.

B Forrest informed members that money transfers can only be initiated by the Bursary Officer and the Depute Finance Manager, but such transfers require his approval. The Bank Transfer System does not allow the individual who initiates the transfer to also authorise the transaction. Mr O'Brien commented that he was concerned about the limited number of people who were involved in the money transfers procedure.

In light of the Chair's comments the Principal agreed that a review of the online banking system and procedures would be undertaken and a report brought forward to an appropriate future meeting.

Members agreed to:

- i) note the contents of the report;
- ii) note the audit recommendations contained in the Internal auditors report on Cash and Treasury Management;
- iii) note the College Management response; and
- iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

11 Internal Audit Report: Corporate and Governance

The Principal spoke to the report, informing members that the recommendations contained in the report were minor and that action would be taken to address them.

The Committee had nothing to add in respect of this report.

Members agreed to:

- i) note the contents of the report;
- ii) note the audit recommendations contained in the Internal Auditor's report on Corporate Governance;
- iii) note the College Management response; and
- iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

12. Internal Audit Report: Fee Waiver System

The Chair asked whether a report is required each year, since it appears that the system had improved.

Mr Kirk informed members that this system is an important one as the College seeks to claim approximately £1 million in waived fees per year. It was his view that the system was complex to operate and therefore required to subject to internal audit each year to ensure that Board members had confidence in the figures claimed.

The Depute Principal reported that as of session 2005/06 the fee waiver claim would be submitted automatically using the Management Information System instead of the current manual submission and that it was therefore essential that an appropriate and robust system was in place prior to this date. .

The Principal reported that the College will review the future management responsibility for this system in due course.

Members agreed to:

- i) note the contents of the report;
- ii) note the audit recommendations contained in the Internal Auditor's report on Fee Waiver System Review;
- iii) note the College Management response; and
- iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

13. Internal Audit Report: Insurance

The Principal spoke to this report, informing members that that the College accepted the recommendations. He further informed members that the Risk Management Group would consider this report at its next scheduled meeting.

Members agreed to:

- i) note the contents of the report;
- ii) note the audit recommendations contained in the Internal Auditor's report on Insurance;
- iii) note the College Management response; and
- iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

14. Internal Audit Report – Purchasing and Creditors

The Depute Principal informed members that the Internal Audit report had made 1 Medium Grade and 2 Low Grade recommendations which the College accepted. He also informed members that appropriate action would be taken to address the recommendations.

Members agreed to:

- i) note the contents of the report;
- ii) note the audit recommendations contained in the Internal Auditor's report on Purchasing and Creditor Payments;
- iii) note the College Management response; and
- iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

15. Internal Audit Report: Tuition Fees

The Depute Principal spoke to the report, informing members that the College accepted the recommendations contained in the Internal Audit report and that appropriate action would be taken.

Mr O'Brien referred to point 1.14 Management Information – Fee Income and asked if an employer was identified as the bearer of fees would this not be classed as a debtor. Mr Forrest replied no it would be classed as income.

The Chair also asked for clarification about the financing of self funders and asked when payment would be sought. Mr Forrest advised that an invoice would be sent to the student at the end of the academic year.

In reference to point 1.11-1.13 inclusive Bad Debt Mr Kerrigan asked what happens steps were taken to deal with bad debt. The Principal informed members that Board annual considers a report on bad debtors and where appropriate agrees to the 'writing off' of this debt.

I Graham reminded members that the Board had agreed that Internal Audit reports should be considered by the appropriate Standing Committee and therefore that items 11 and 13 would be referred to the Executive Committee and item 13 would be considered by the Risk Management Group.

Members then agreed to :

- i) note the contents of the report;
- ii) note the audit recommendations contained in the Internal Auditor's report on Tuition and Charges System Review;
- iii) note the College Management response; and
- iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

16. Internal Audit Report: John Wheatley College Progress Report

The Chair confirmed that this paper highlights the work undertaken from session 2003/04.

Mr O'Brien advised that Audit Scotland is happy to refer to this in the year end report.

Mr Blyth noted that he had circulated to the College a proposal of the dates and time of the various blocks. The Chair requested that this document be referred to the next Board in December. Mr Blyth advised that he would send a copy to Mr Sherry.

Members noted this correspondence.

17. John Wheatley College Internal Audit Annual Report Baker Tilly

Mr Graham informed members that that this report is being presented to the Committee for information purposes only.

The Chair asked Mr Blyth whether he had any comments. Mr Blyth replied that he had no observations to make.

Members agreed to:

- i) note the contents of the report and its appendix;
- ii) note the audit recommendations contained in the Internal Auditor's Report 2003/04;
- iii) note the College Management response;
- iv) request the College to address the audit recommendations and update the College's Audit Action Plan; and
- v) request the College to bring forward an update report at the next meeting of the Audit Committee.

18. Audit of Student Activity Undertaken in Session 2003/04

Mr Graham informed members that this report was considered by the Executive Committee prior to the College's submission to the Funding Council and that it was here for information as Student Activity was audited by Baker Tilly. He informed members that the report confirmed the accuracy of the College's weighted Sum count for session 2003/04. He further reported that the College had exceeded its agreed target by 4.26%. He reminded members that the College would not receive any additional grant-in-aid as a result of exceeding the target. He also reminded members that there was a clawback penalty for those colleges who undershot their target by more than 2%.

In response to questions, both the Principal and the Depute Principal informed members that it was not possible to accurately predict precisely the nature of the College's student activity, due to the high number of part-time programmes which it offered. In addition, it appeared from the headline Performance Indicator data that retention rates had improved compared to previous years and that this too contributed to an increased level of student activity.

Members agreed to:

- i) note the contents of the Principal's report and its appendix;
- ii) note that the College exceeded its student activity target for session 2003/04;
- iii) note that the College's student activity data for session 2003/04 has been verified by Baker Tilly;
- iv) authorise the Principal to endorse the Student Activity Audit Certificates on behalf of the Board;
- v) request the College to forward the associated Audit Certificate to SFEFC by the end of October 2004 due date; and
- vi) note that the Internal Auditor's Regularity Report into the Student Activity Verification exercise for session 2003/04 will be presented to the next scheduled meeting of the Board's Audit Committee on 18 November 2004.

19. British Computer Society: European Computer Driving Licence Audit (ECDL)

Ms Wilson spoke to this report, informing members of the external verification visit undertaken by the British Computer Society (BSC) on the

28 September 2004 to audit the European Driving License provision offered by the College.

The Associate Principal (Quality) reported that the College had been awarded a Category B audit report which indicated that there were only minor recommendations. She also reported that this was an improvement on the report for session 2003/04, which had contained a number of major recommendations. In response to questions, she informed members that G Harkins, the Senior Lecturer responsible for this subject area, had instituted a number of changes and had been supported by a member of the central Administration team in ensuring that BSC administrative procedures were complied with.

Ms Wilson advised that Mr Harkins had prepared an Action Plan to address the action points from the Auditor's report attached as appendix 2. However, she noted that the recommendations have already been implemented by the College.

Mr O'Brien commented that it is clear from the BSC's findings that the administrative input has greatly improved the operational procedures.

Members agreed to:

- i) the contents of the report and its appendix; and
- ii) endorse the action plan.

20. Scottish Qualifications Authority: Quality Review Audit 2003/04

Mr Sherry reported that the College undergoes a Scottish Qualifications Authority (SQA) annual quality review with the report considered by the Audit Committee. He informed members that this document was a summary of all the quality audits undertaken by SQA during session 2003/04.

He informed members that the College had in place procedures which overtook the action points contained in the report.

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

A discussion took place following the business of the Committee.

The Chair pointed out that the issue of performance indicators was not addressed in the Internal Audit Review of BDO Stoy Hayward's recommendations and suggested that this issue should be addressed at a future Audit Committee meeting. A Kirk agreed to contact Baker Tilly and Audit Scotland in order to ascertain how best to proceed with this matter.

Mr O'Brien advised that the College would have to advise Baker Tilly on Value for Money Exercises such as Facilities Management, Security, ICT and staff attendance.

The Principal informed members that a report would be presented to a future meeting of the Board detailing proposed savings which the College intends to make as part of its value-for-money agenda.

Mr Graham confirmed that the annual meeting with Audit Scotland to discuss fees would be scheduled for early 2005.

Mr Sherry asked Ms Russell to send him a copy of the letter which is referred to under item 6 (iii) in the previous minute.

Ms Russell confirmed that the external audit report would be passed to the Principal by mid December 2005.

The Principal advised that when the College receives this report then a copy would be sent to the Chair for information.

Mr Graham confirmed that Annual Audit report would be considered at the Financial Control Committee on the 6 December 2004, the Audit Committee on the 7 December 2004 and the Board on 9 December 2004.

21. Closure

Having discussed all items on the agenda, the Chair of the Committee thanked members for their attendance. The meeting closed at 1.30pm.

22. Date of Next Meeting

Members were advised that the next meeting of the Committee would take place on 7 December at 12.30pm at Strathclyde European Partnership, Elmbank Street, Glasgow.

J Kerrigan advised members that he was unable to attend the next Audit Committee scheduled on the 7 December 2004 due to a prior commitment.

SW/SV

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