

John Wheatley College

Board of Management

Audit Committee

Minutes of the Audit Committee held on Thursday 22 September 2005 at 12.30pm in the Conference Room of Strathclyde European Partnership, 94 Elmbank Street, Glasgow.

1. Sederunt

The meeting commenced at 12.30pm and was attended by:

D O'Brien (Chair); and
J Kerrigan

Also in attendance:

I Graham (Principal);
A Kirk (Depute Principal);
A Sherry (Assistant Principal);
M Blyth (Baker Tilly);
R Stewart (Clerk to the Board);
J Gow (Chief Finance Officer);
M Brennan (Financial Adviser to the Board); and
S Vaughan (for recording purposes only).

2. Apologies

Andrew Macdougall
Helen Russell (Audit Scotland)

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. Declarations of Interest

No declarations of interest were expressed.

5. Minutes of the Audit Committee meeting held on 16 June 2005.

The minutes of the previous meeting were taken as read. They were accepted as an accurate record of the meeting held on 16 June 2005.

6. Matters arising from the minutes of the previous meeting

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

The Principal informed members that following discussions with Baker Tilly it had been agreed that passwords used by staff members which were used to log-on to both the College network and individual email accounts would not require to be changed every three months.

Details of these arrangements (which were endorsed at a recent meeting of the Board's Capital and ICT Committee) would be formally agreed with Russell Boyd (the College's Associate Principal – ICT).

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

The Principal reminded members that the College had previously been recommended to retain a list of preferred contractors as a result of previous internal audit activity. He informed members that the College did not retain such a list and that Baker Tilly had endorsed the College's approach. He further informed members that following discussions with Baker Tilly it had been agreed that all the recommendations relating to ICT, made by BDO Stoy Howard (the previous Internal Auditors), had been progressed appropriately and therefore this area of College activity would be audit within the normal regularity cycle. The Principal also reminded members that the updated risk register demonstrated that action had been taken to address the issues relating to ICT.

He also advised that the Board's Capital and ICT Committee also endorsed the College's proposed action in its consideration of internal audit reports related to Estates Management.

Item 14 – Audit Needs Assessment

The Depute Principal informed members that the College had met with representatives from Baker Tilly in order to discuss the operational organisation of the audit activity scheduled for session 2005/06.

7. Correspondence:

a) SFEFC

i) Checks on 2003-04 SUMs/FES Student Activity Data

Members noted the contents of the correspondence, which acknowledged receipt of the Depute Principal's response to the Scottish Further Education Funding Council (SFEFC) queries with regards to DPG (Dominant Programme Group) 18 activity within the College. The Depute Principal informed members that the SFEFC was satisfied with the ways in which the College had addressed the issue of students with additional learning needs, who were classified with some forms of learning difficulty under Category 18.

In response to questions the Chief Finance Officer confirmed that the College had taken appropriate note of the advice that had been issued by SFEFC.

ii) Accounts direction for Scottish Further Education Colleges 2004-05

Members noted the contents of the correspondence.

iii) Student Support Funds – 2004-05 Audit Guidance

Members noted the contents of the correspondence.

iv) 2004-05 Data Return for Funding Purposes and Audit Guidance

Members noted the contents of the correspondence.

v) Letter to SFEFC – Sustainability Accounting and Reporting

Members noted the contents of the correspondence. Members were directed to an additional letter, which was tabled at the meeting (see 7[vi]).

vi) Letter from SFEFC – Sustainability Accounting and Reporting

Members noted the contents of the correspondence which was the response of SFEFC to the Principal's letter dealt with as item 7 a (v). The Principal reminded members that that the College wished to see how the issue of sustainability would be appropriately reflected in the Annual Accounts and the guidance which SFEFC offered to the sector in this area. However it was clear from this response that SFEFC had yet to consider the matter in any depth. However he informed members that the College would seek to include some reference to sustainable development in the Annual Accounts for 2004/05 with a view to developing a more comprehensive format at some point in the future.

b) Audit Scotland

i) Annual Report 2004/05

Members noted the contents of the correspondence.

ii) Market Research Conducted by Accent

Members noted the contents of the correspondence, which intimated that Accent (a market research agency) had been engaged by Audit Scotland in order to gather the views of its clients and stakeholders. The Principal confirmed that the College had not been contacted by representatives from Accent to date.

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

The Depute Principal spoke to the contents of the report on the the Fee Waiver system. He informed members that the audit had been undertaken in June 2005 and that there had been a total of 8 recommendations, which constituted 4 high grade and 4 medium grade recommendations. He stated that 3 of the previously reported high grade recommendations remained a high priority for the College. The Depute

Principal reported that following receipt of the report that senior staff had radically revised the College's fee waiver procedures to improve the collection of the evidence required to substantiate the Fee Waiver claim, reminding members that this claim was worth circa £1m in terms of revenue. He opined that the recommendations that had been made by the internal auditors were valid.

The Principal informed members that the recommendations which had been made to the College were similar with those issued to other colleges which indicated that they were common problem across the sector in collecting this data. He further informed members that the College had now instituted a system of reviewing the evidence which was collected to support fee waiver applications. The Chief Finance Officer reported that there had been an improvement with regards to the completion of fee waiver forms since the new procedures had been introduced in August 2005.

M Blyth confirmed that Baker Tilly noted similar issues at all Colleges in which they provided audit functions. The issues identified in this respect appeared to apply on a sector-wide basis.

The Depute Principal reported that the College had exceeded the fee waiver target for 2004/05.

The Principal reminded members that the fee waiver system was difficult for the College to administer, because the definition of which students were eligible for fee waiver, together with the tests conducted to verify their eligibility, varied each year. However he emphasised the importance which the College attached to ensuring that the necessary procedures were followed. The Depute Principal informed members that this year the Funding Council would be content for a member of staff to see the relevant evidence in support of a fee waiver claim and required to copy the documentation, a situation which it would not have accepted in previous years.

The Chair commented that in the Internal Audit report indicated that a large number of students had not provided the College with the necessary evidence. The Depute Principal assured D O'Brien that the College had comprehensively addressed this issue. The Principal confirmed that the management targets this year would demonstrate that the College was focussing more attention on this area.

The Depute Principal informed members that a follow-up visit would be undertaken in November 2005 and that progress against the recommendations which were made in the report would be considered during that visit.

Members noted the contents of the report.

9. Internal Audit Annual Report 2004-05

M Blyth spoke to the report, which represented the internal audit annual report for John Wheatley College for the period 1 August 2004 to 31 July 2005. He reported that the programme was carried out as planned by July 2005. He informed members that the six outstanding

recommendations related to fee waiver and tuition fees would be carried forward as part of the Audit Plan for 2005/06. He informed members that the College had put in place actions to address all of the recommendations which would be carried forward and it was anticipated that these would be resolved by the date of the next audit visit. He also informed members that in the opinion of Baker Tilly the College had an adequate framework of control to :

- carry on the operations of the College in an orderly and efficient manner;
- ensure adherence to management policies; and
- safeguard assets and to secure as far as possible the completeness and accuracy of records.

The Chair confirmed that this report would be included as an appendix to his Annual Audit Report which would be presented to the Board in December 2005.

The Chair requested that Baker Tilly provide an updated programme for the year ahead, and information on how the capital project will be audited at the next Audit Committee meeting on 17 November 2005. He also requested that the College bring forward an updated action plan to the next scheduled meeting for the consideration of members.

The Chair reminded members that Baker Tilly had been appointed as the Internal Auditors for a period of two years with the option to extend this term of office for a further year. He informed members that he proposed to consider this matter at the next scheduled meeting of the Committee.

M Blyth (Baker Tilly) informed members it was his understanding that the original appointment was for a period of three years with an option to extend to a fourth year. It was agreed that the College would seek to resolve this matter with Baker Tilly.

In response to questions, M Blyth confirmed that Baker Tilly would have no objection to continuing the role of the College's internal auditors.

10. Closure

The meeting closed at 1.10pm, with the Chair thanking all members for their attendance.

11. Date of next meeting

The next meeting is scheduled for Thursday 17 November 2005 at 12.30pm at Strathclyde European Partnership, Elmbank Street.