

**John Wheatley College**

**Board of Management**

**Audit Committee**

**Minutes of the Audit Committee held on Wednesday 30 May 2007 at 12.30 pm in MF12, East End Campus.**

**1. Sederunt**

The meeting commenced at 12.30pm and was attended by:

D O'Brien (Chair); and  
R Lorimer; and  
B Rooney

In Attendance:

A Kirk (Depute Principal);  
A Sherry (Assistant Principal);  
J Gow (Chief Finance Officer);  
S Dobbie (Finance Manager);  
R Stewart (Clerk to the Board);  
D Cairney (Baker Tilly);  
D Watt (KPMG); and  
S Wilkie (for recording purposes only).

The Chair welcomed B Rooney and R Lorimer to their first meeting of this Committee.

**2. Apologies**

I Graham (Principal); and  
A MacDougall (Support Staff Representative)

**3. 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.

**4. Declaration of Interest**

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

**5. Minutes of the Audit Committee held on 4<sup>th</sup> December 2007**

The minutes of the previous meeting were taken as read. They were accepted as an accurate record of the meeting held on 4 December 2007.

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

There were no matters arising from the minutes of the previous meeting.

**7. Correspondence**

**a) Audit Scotland**

The Chair reported that items 7 a) i and ii would be taken together.

- i) Audit Service Quality Survey – 2005/06 Audits**
- ii) Audit Service Quality Survey for John Wheatley College**

The Depute Principal informed that the Audit Scotland audit service quality questionnaire was for information purposes only.

Members of the Audit Committee agreed to note the contents of the correspondence from Audit Scotland.

- (iii) Revised Code of Audit Practice - Consultation**
- (iv) Revised Code of Audit Practice – Consultation, John Wheatley College Response**

The Chair reported that these items have been superseded by item 12.

- v) High Education Hardship Fund Statement/Higher Education Childcare Fund (2005/06)**

The Depute Principal reported that Audit Scotland had completed the appropriate return in December 2006.

Members of the Audit Committee agreed to note the contents of the correspondence from Audit Scotland.

- vi) Bursary/FE Hardship Fund /Childcare Fund Return for Academic Year 2005/06**

Members of the Audit Committee agreed to note the contents of the correspondence from Audit Scotland.

**vii) Technical Bulletin 2007/01**

In response to questions the Depute Principal informed members that the College would continue to receive the Audit Scotland Technical Bulletin despite the fact that the external audit function was now to be undertaken by KPMG.

In response to questions the Chief Finance Officer informed members that the College would take account of the guidance on the Presentation of Budget Information once the revised standard came into effect.

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

**7 b) KPMG**

**i) Audit Planning Memorandum Year Ending July 2007**

D Watt informed members that KPMG would adopt a similar approach to that used by Audit Scotland when undertaking the external audit activity. He reported that a revised Code of Audit Practice was now in place and as a consequence objectives have slightly changed however these are not substantiate and would not require a radical change to approach to the audit process.

He informed members that the KPMG approach to audit was based on risk, sought to align the audit to the strategies of the organisation and close communication between the audit team and management throughout the process. In response to questions D Watt informed members that where appropriate reliance would be placed on the work of the Internal Audit Service. As a consequence of this approach KPMG will focus on a number of areas during the external audit activity including:

- a) the development of the new East End campus;
- b) accounting for pensions;
- c) the shared services arrangement with Glasgow City Council, now Culture and Sport Glasgow, in respect of Library Services; and
- d) compliance laws and financial regulations.

D watt also informed members that it was anticipated that all the necessary External Audit activity would be completed within the timeframe provided by the College and in accordance with the requirements of Audit Scotland.

The Chair requested that D Watt bring forward a report to the next meeting of the Committee on the external audit process for academic/financial year 2006/07. D Watt agreed to prepare a report.

A Sherry reminded D Watt that papers were required five working days before the date of the meeting in order to enable them to be circulated in line with the Board's Standing Orders.

Members noted the contents of the Audit Planning memorandum Year Ending July 2007

**ii) Risk Management**

D Watt reported that this document is being presented for information purposes only.

Mr Kirk reminded members that the Board had adopted a robust approach to the management of risk which took account of HM Treasury guidance in this area.

Members noted the contents of this document.

**c) Scottish Funding Council – Circular 01/07 Guidance on the Audit requirements for Education Maintenance Allowances (EMA) 2006-07**

The Depute Principal informed members that this document was for information purposes only in order to apprise of the guidance which the Funding Council had issued to auditors on the requirements of EMA audits.

Members noted the contents of the guidance.

**d) Glasgow City Council – Audit & Examination Requirements**

Members of the Audit Committee agreed to note the contents of the correspondence from Glasgow City Council on the audit requirements for those organisations which receive financial support from the City or the Community Planning Partnership. The Depute Principal reminded members that the College had received a number of awards from the former Social Inclusion Partnership Boards and their successor bodies Community Planning Partnership Boards.

Members noted the contents of the correspondence.

**8. Baker Tilly Internal Audit Reports**

**a) Budget Setting Process & Management Accounting & Reporting**

The Chief Finance Officer spoke to this report apprising members of the contents of the Internal Audit Service report on the budget setting process and management accounting.

He reported that Baker Tilly had made five (5) new low grade recommendations which the College had accepted and that it had put in place an agreed action plan. He further added that that the

Internal Auditor had considered the two (2) low grade recommendations that were made in previous reviews and were satisfied that these recommendations had been implemented by the College prior to the December 2006 visit.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there are five new low grade audit recommendations contained in the Baker Tilly's report on the Budget Setting process and Management Accounting and Reporting;
- (iii) note the College Management response; and
- (iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

**b) Debt Collection Process**

The Chief Finance Officer reported on the contents of the Internal Audit report on the Debt Collection Process and the College management response to their findings.

He informed members that the Audit report contained three (3) new recommendations, two (2) medium, and (1) low grade. He further informed members that the College had put in place an agreed action plan to address these recommendations.

J Gow also reported that the eight (8) recommendations made following previous reviews of this area remained outstanding.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there are three new recommendations contained in the Baker Tilly's report on the Debt Collection Process;
- (iii) note the College Management response; and
- (iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

**c) Fee Waiver System Review**

The Chief Finance Officer spoke to his report informing members of the contents of the Internal Audit report on the Fee Waiver System review and the College management response to the findings.

He reported that the Auditors had made three (3) new recommendations, one (1) high grade, one (1) medium grade and one (1) low grade. He informed members that the College response to these recommendations indicated the steps taken to address the issues identified by the Internal Audit Service.

J Gow further reported that the Internal Auditors have concluded that the three (3) recommendations contained in previous reports

were considered to be implemented and complete. In addition he informed members that the College will continue to monitor the consistency of the data held within Unit E and Fee Waiver forms.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there are three new recommendations contained in the Baker Tilly'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.

**d) Contracts and Tendering**

The Depute Principal spoke to this report apprising members of the contents of the Internal Audit report on Contracts and Tendering and the College management response to their findings.

He reported that the Internal Audit had made one 91) new medium grade recommendation. He further reported added that one low grade recommendation from previous reviews of this area was now considered to be complete.

The Chief Finance Officer reported the remaining previous recommendations would be incorporated into the revised procurement procedures. He reminded members that the College intended to update its procurement procedures during 2007/08 in response to recent Scottish Executive Procurement Regulations and the publication of the McClellan report.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there are three new recommendations contained in the Baker Tilly's report on Contracts and Tendering;
- (iii) note the College Management response; and
- (iv) request the College to address the audit recommendations and update the College's Audit Action Plan.

**e) Corporate Governance**

The Depute Principal spoke to this report informing members of the contents of the Internal Audi report on Corporate Governance and the College management response to their findings.

He reported that the Auditor had made one (1) new low grade recommendation which the College accepted. He informed members that the Assistant Principal would bring forward a paper to the Board outlining the steps which the College proposed to take in order to discharge this recommendation.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there are three new recommendations contained in the Baker Tilly'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.

#### **f) Student Records and Information Systems Review**

The Depute Principal informed members of the contents of the Internal Audit report on Student Records and Information Systems Reviews and the College management response to their findings

He reported that the Auditor's had made one (1) new medium grade recommendation. He reminded members that that the Auditor had considered the seven (7) recommendations made following previous reviews of this area and had concluded that two (2) of these recommendations should now be considered complete.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there are one new recommendations contained in the Baker Tilly's report on Student Records and Information Systems 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.

### **9. Audit Action Plan**

The Chief Finance Officer spoke to his report informing members of the current status of the Baker Tilly high grade Internal Audit recommendations contained in the Audit Action Plan.

He reported that Baker Tilly reviewed Fee Waiver administration in December 2006 and reported that the one existing high grade recommendation in this area was fully implemented, one new high recommendation was identified and this had been added to the Audit Action Plan and the College will take steps to implement this recommendation.

He also reminded members that the Internal Auditors reviewed the area of Debt Collection process in December 2006. All three of the existing high grade recommendations were reiterated, however the College holds the opinion that controls are in place to mitigate any risk to the College in this area.

J Gow further added that the College had implemented the one high grade recommendation relating to the Tuition Fees and Charges systems

and two high grade recommendations in the area of Facilities and Estates Management on the Audit Action Plan however they are awaiting review by Baker Tilly.

Members of the Audit Committee agreed to:

- (i) note the contents of this report ;
- (ii) request the College to remove the 1 recommendation on Fee Waiver administration, reported as fully implemented by Baker Tilly, from the Audit Action Plan; and
- (iii) request the College to add the 1 new grade recommendation on Fee Waiver administration reported by Baker Tilly to the Audit Action Plan.

#### **10. External Audit – Proposed Fee 2006/07**

**A declaration of Interest was made by David Watt as a consequence of his employment with KPMG.**

The Depute Principal spoke to the Principal's report informing members of the fee which KPMG had agreed with the College in respect of the College's External Audit functions for financial/academic year ending 31 July 2007 within the indicative guidance provided by Audit Scotland. He reported that the fee for these audit services would be fixed at £10,900 with the addition of the Audit Scotland fixed charge of £180.

Members of the Audit Committee agreed to:

- (i) note the contents of the Principal's report;
- (ii) note the external audit fee (£10,900 agreed by the College with KPMG (within Audit Scotland's 'indicative guidance') for academic/financial year 2006/07; and
- (iii) note that KPMG will brief the Committee on its approach to the 2006/07 Audit at an appropriate future meeting.

#### **11. Student Support Funds Audit 2005/06**

The Chair reminded members that this item was considered earlier in the agenda.

#### **12. Audit Scotland – New Code of Audit Practice**

The Depute Principal spoke to the Principal's report informing members of the publication, by Audit Scotland, of a new Code of Audit Practice. He informed members that the new Code applied to audits of Public Bodies in the financial years which commence on or after 1 April 2006. He informed members that the new code took full account of a number of material changes to the regulatory landscape since the publication of the previous code in 2001. These changes included:

- a) the introduction of the concept of best value reviews in Local Government;

- b) the development of a modernised audit approach by Audit Scotland; and
- c) changes to the way in which national audit programmes are developed for Scotland's Public Services.

In addition the new Code reflected changes in International standards on Auditing and the need for 'ethical' management in public services.

The Depute Principal further informed members that in the view of Audit Scotland the new Code:

- a) continues the trend for higher level statements of principle with less emphasis on detailed rules for auditors;
- b) emphasises the requirements for auditors to work in partnership with Audit Scotland and each other as well as having regard for the work of other scrutiny bodies;
- c) remains one document which relates to all types of Public Body for which Audit Scotland is responsible dispensing with the need for separate statements of practice for different sectors;
- d) combines guidance in respect of both financial statements and corporate governance emphasising the significant relationship between these functions; and
- e) describes the arrangements for 'performance audit'.

In addition A Kirk informed members that the Scottish Funding Council was also in the process of reviewing its guidance for College/University Audit functions and that it was anticipated that this exercise would draw extensively on the new Code.

Members of the Audit Committee agreed to:

- (i) note the contents of the Principal's report;
- (ii) note the contents and underlying principles of Audit Scotland's revised Code of Practice (published on 26 March 2007 and attached, for information, as annex 1 to the Principal's report); and
- (iii) note that SFC is currently reviewing the audit guidance which it issues to both Colleges and Universities.

### **13. East End Campus – ERDF Audit Visit**

The Depute Principal reminded members that Strathclyde European Partnership (SEP), the managing Agent for ERDF funds in Western Scotland, had made a visit to the College on 1 December 2006. The purpose of the visit was to undertake an audit of the new East End campus project within the terms of Article 4 of the governing conditions. He reported that three minor action points had arisen as a consequence of the visit, In addition a subsequent visit from SEP had been undertaken following a general instruction from the Scottish Executive which applied to all ERDF projects. The Depute Principal informed members that no action points arose from this visit.

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

**14. Glasgow City Council – Adult Literacy and Numeracy (ALN) Audit Report**

The Chief Finance Officer spoke to this report informing members of the contents of the ALN Audit Management Letter. He reported that the Audit covered a two year period from 1<sup>st</sup> April 2004 to 31<sup>st</sup> March 2006.during which time the College received £253,100 in respect of the three ALN projects. He informed members that the management Letter contained four findings. Of these three had been discharged. However the other finding related to One Plus which had ceased trading in January 2007 and therefore the College was unable to proceed further with this matter.

In response to questions the Chief Finance Officer informed members that two of the four findings were considered closed by the Verification Accountant prior to the Management Letter being issued.

He further added that the College have yet to receive a response from Glasgow City Council to Anne Lockyer's letter of 15<sup>th</sup> December 2006.

Members of the Audit Committee agreed to:

- (i) note the contents of the report and its appendices; and
- (ii) note the College management action and responses.

**15. British Computing Society Audit/External Verification December 2006**

The Assistant Principal reminded members that the Audit Committee considered reports on all external audit activity and that the purpose of this report was to apprise them of the outcome the British Computing Society (BCS) audit which had taken place on the 7 December 2006.

A Sherry informed members that as a result of the audit the College had retained in Grade B status which demonstrated that it 'substantially met the requirements of the European Computer Driving Licence qualification.

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

**16. Risk Management – Risk issues to be considered as a consequence of the consideration of the above agenda**

**17. Review of Risk Register**

The Chair proposed that both of these issues be considered as item. This was agreed by members.

**The Chair, with the agreement of members, suspended Standing Orders at 2pm to allow the business of the meeting to be discharged..**

A Sherry reminded members that as part of the Board's approach to risk management all Standing Committees formally reviewed the College Risk Register as part of the strategic planning process.

The Chair informed members that no new areas of risk had been identified when the Audit Needs Assessment (ANA) was being prepared

The Chair further added that actions and targets require to be addressed following the Audit Committees self evaluation exercise. The Depute Principal reminded members that this document applied to the work of the Committee and as such action points from this report would only impinge on the College Risk Register where appropriate. This had not been deemed to be the case when the previous self-evaluation report was produced.

In response to questions the Depute Principal informed members that a specific section of the College Risk Register was devoted to Information and Communication Technology.

Following discussion members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) that no amendments be made to the College's Risk Register.

D Cairney of BakerTilly gave a short presentation on the internal audit process.

The Chair thanked Mr Cairney for his presentation.

## **18. Closure**

The meeting closed at 2.35pm with the Chair thanking all members for their contribution.

## **19. Date of Next Meeting**

The date of the next meeting is to be confirmed at the Board meeting scheduled for June 2007.