

John Wheatley College

Board of Management

Audit Committee

Minutes of the Audit Committee held on Monday 4 December 2006 at 12.30 pm in the Conference Room of Strathclyde European Partnership, 94 Elmbank Street

1. Sederunt

The meeting commenced at 12.30 pm and was attended by:

D O'Brien(Chair); and
A MacDougall.

In Attendance:

I Graham (Principal);
M Blyth (Baker Tilly);
A Kirk (Depute Principal);
A Sherry (Assistant Principal);
J Gow (Chief Finance Officer);
S Dobbie (Finance Manager);
R Stewart(Clerk to the Board);
H Russell (Audit Scotland);
D Watt (KPMG) and
S Wilkie (for recording purposes only).

2. Apologies

Dr. M Cloonan

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 declarations of interest expressed at this Committee meeting.

5. Minutes of the Audit Committee held on 21st September 2006

The Principal requested that a few amendments be made to the minutes.

Page 1 – Sederunt

The meeting commenced at 12.30pm not 9.30am.

Page 3 Item 7 C ii) Public Sector Pension Schemes in Scotland

First Paragraph. It should 'The Principal informed members that the Strathclyde Pension Fund is currently a relatively healthy scheme'. remove ' and has sufficient assets to meet its obligations.

Ms Wilkie agreed to make these changes.

Members of the Audit Committee agreed to accept the minutes as an accurate record once the amendments have been made by Ms Willkie.

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) Scottish Funding Council – Improving the Quality of Data Returns

Members of the Audit Committee agreed to note the contents of the correspondence from the Scottish Funding Council.

b) Strathclyde European Partnership – Western Scotland 2000-2006 Programme

The Depute Principal reported that the visit took place on Friday.

Members of the Audit Committee agreed to note the contents of the correspondence from the Scottish European Partnership.

c) Baker Tilly – Audit Fees 2006/08

Members of the Audit Committee agreed to note the contents of the correspondence from Alan Sherry to Baker Tilly.

8. Audit Scotland

a) Management Letter SAS 610

The Chair referred to point 4 under Accounting Policies. He advised that the decision to agree to a change in the accounting policy was taken by the Board not the Audit Committee.

Mr Graham confirmed that Principals are now being referred to as being the College's designated officer.

Members of the Audit Committee agreed to note the contents of the Principals letter to Audit Scotland.

Ms Russell requested that Item 8 (c) could be taken before (b). The Chair agreed.

b) International Standard on Auditing 260

Ms Russell reported on the main points of her letter to members of the Audit Committee, she highlighted two matters to the attention of members. These were that the certification of the bursary and other student support funds have yet to be completed by Audit Scotland and that the accounting policies record a change in the disclosures Strathclyde Pension Fund (SPF). The SPF has been disclosed as a defined contribution scheme as opposed to the previous practice of a defined liabilities scheme.

Ms Russell advised that she will sign off the accounts for 2005/06 and issue an unqualified certificate..

Members of the Audit Committee agreed to note the contents of the Ms Russell's letter.

c) Audit of Accounts 2005/06

Ms Russell highlighted the main areas of her draft report advising members that within the income and expenditure accounts shows a surplus for the year of £22,000 on the year's operations. She noted that the College has a historical cost surplus of £39,000. The balance on the general reserve has increased from £102,000 at 31 July 2005 to £141,000 at 31 July 2006.

She reported that in 2005/06 the requirement to account for pension costs in line with FRS17 has had no impact on the college's surplus. However, it is envisaged that there may be a future requirement for the scheme (SPF) to be accounted for as defined benefit and noted that this is likely to have a significant impact on the college's financial statements.

Ms Russell thanked the Principal, the Chief Finance Officer and their staff over the five years of Audit Scotland appointment.

Members noted the contents of the Audit Scotland report.

d) Final Accounts Audit Memorandum

Ms Russell spoke to this paper advising members that following completion of the College's audit for the year ended 31 July 2006 Audit Scotland would now submit an audit memorandum summarising any issues which have not been referred to in the 2005/06 final report on the Audit.

Members of the Audit Committee agreed to note the contents of the final accounts audit memorandum from Audit Scotland.

e) 2005/06 Follow –up of Audit of Accounts

Ms Russell spoke to this report advising members that 14 points were highlighted, 2 points remain outstanding. The first being pension accounting and the other is financial security funding.

Retiral of Audit Scotland as Auditor

The Chair thanked Ms Russell for her assistance over the last 5 years during the appointment of Audit Scotland as external auditors to the College.

9. Annual Report & Financial Statement for the year ended 31st July 2006

The Chief Finance Officer spoke to this report informing members that the College is reporting a surplus of £22k for the year and has an accumulated surplus of £141k. He confirmed that session 2005/06 academic year has been a very positive one from a financial perspective.

He reported that staff costs in 2005/06 were £289k less than in the previous year, with teaching staff costs in particular reduced by £399k from 2004/05. Capital expenditure on the new campus was £7.3m during the year and totals £8.5m at the year end.

The Chair advised that the College had had a healthy year.

The Chair thanked The Chief Finance Officer and his team for all their hard work.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix; and
- (ii) endorse the College's Annual Report and Financial Statement for the year ended 31st July 2006.

10. Annual Audit Report 2005/06

The Chair confirmed that this report is being presented at the next board meeting.

Members of the Audit Committee agreed to note the contents of the Chair's report.

11. Audit Needs Assessment

The Chair reported that, as agreed at the last meeting, he and Mr MacDougall had met informally in College on 23 November, following receipt of additional information from Baker Tilly to consider the draft Audit Needs Assessment (ANA) for 2006/07. Mr O'Brien and Mr MacDougall

had agreed to recommend minor alterations to the allocation of days within the ANA to the next meeting of the Committee (a copy of the minutes of that meeting for members information is attached as annex 1).

The Principal confirmed that OSCR (Office of the Scottish Charities Regulator) are undertaking a review of the colleges charity status so therefore there is no requirement for internal audit to look at this area of work. The Chair confirmed that it was understood that the charitable status of the College did not require any review by Baker Tilly; the reference to Charitable Status at section 4 of the Baker Tilly Internal Audit Needs Assessment Report was a typing error: as could be seen from section 3 of the Report the reference should read Management Reporting and this item was intended to cover an additional specific review requested by the Board.

The Committee approved the Audit Needs Assessment subject to correction of the typing error as noted above.

The Principal left the meeting at this point (1.10pm).

Post meeting note: For full transparency a note of the informal meeting of 23 November 2006 is circulated as Appendix 1 to these minutes. The Audit Needs Assessment for 2006/07 as amended is circulated as Appendix 2 to these Minutes. As a result of governance issues raised the Clerk intends to issue a Best Practice note to members of the Board.

12. Audit Action Plan

The Depute Principal confirmed that, in the college's opinion, all high grade recommendations have been implemented.

Members of the Audit Committee agreed to note the contents of the report.

13. SFEFC: 2005-06 Data Return for Funding Purposes and Audit Guidance

The Depute Principal confirmed that the College achieved its student target on activity for session 2005-06.

Members of the Audit Committee agreed to:

- (i) note the contents of this report;
- (ii) note the contents of the auditor's report;
- (iii) note that the College exceeded its activity target in 2005-06;
- (iv) note the progress that has been made in relation to previous audit recommendations; and
- (v) note that the College submitted its on-line FES return, its 'SUMs claimed' and Audit Certificates prior to the due date.

14. Closure

The meeting closed at 1.15pm with the Chair thanking all members for their contribution.

15. Date of Next Meeting

The next meeting of the Audit Committee is scheduled to be held on 18 April 2007.