

John Wheatley College

Board of Management

Audit Committee

Minutes of the Audit Committee held on Thursday 8 November 2007 at 12.30 pm in Room S/09, Easterhouse Campus.

1. Sederunt

The meeting commenced at 12.30 pm and was attended by:

D O'Brien (Chair);
R Lorimer;
H Ostrycharz; and
E MacArthur.

In Attendance:

A Kirk (Depute Principal) (until 2 pm);
A Sherry (Assistant Principal) (until 2 pm);
J Wilson (Associate Principal) (until 2 pm);
S Double (Finance Manager) (until 2 pm);
R Stewart (Clerk to the Board);
G Notman (Baker Tilly);
I Aird (Baker Tilly);
A Taylor (KPMG); and
L McEwan (for recording purposes only)

The Chair welcomed H Ostrycharz and E MacArthur to their first meeting of this Committee. He thanked B Rooney for his assistance on the Committee and extended an invitation for him to return to the Audit Committee at any time in the future to share his financial expertise and also, as appropriate, discuss any matters which might be of mutual concern to both the Finance and Audit Committees.

2. Apologies

I Graham (Principal);
A Macdougall (Support Staff Representative); and
M Blyth (Baker Tilly)

3. Terms of Reference

Members noted the terms of reference for the Audit Committee. It was confirmed that the meeting was quorate with 4 members in attendance.

4. Declarations of Interest

The Chair stated that Ian Aird and Gillian Norton (Baker Tilly) had declared a conflict of interest with respect to item 19, as a consequence of their employment by Baker Tilly.

5. Minutes of the Audit Committee held on 30 May 2007.

A Kirk requested that under item 8b (Debt Collection Process), the phrase 'He informed members that the Audit report contained three (3) new recommendations, two (2) medium, and (1) low grade' was replaced with 'He informed members that the Audit report contained three (3) new recommendations, two (2) medium, and (1) low grade.'

A Kirk requested that under item 8d (Contracts and Tendering) the phrase 'He reported that the Internal Audit had made one 91) new medium grade recommendation' was replaced with 'He reported that the Internal Audit had made one (1) new medium grade recommendation'.

With the above amendments recorded the minutes were accepted as an accurate record of the meeting held on 30 May 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) SFC

(i) Student Support Funds: 2006-07 Audit Guidance (Circular 36/07)

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

(ii) 2006-07 Data Return for Funding Purposes and Audit Guidance (Circular 42/07)

The Depute Principal spoke to the contents of the correspondence from the Scottish Funding Council informing members that this was the guidance issued to auditors.

In response to questions I Aird (Baker Tilly) informed members that the audit activity undertaken by Baker Tilly had identified no major weaknesses.

Members subsequently noted the contents of the correspondence.

(iii) 2007- 08 Student Activity Data Guidance (Circular 40/07)

The Chair spoke to the contents of the correspondence from the Scottish Funding Council. A discussion took place regarding the number of open learning students and in particular the level of College engagement with open learning students. A Kirk informed members that the College enrolled a limited number of learners on flexible learning programmes and these were treated in line with the guidance provided.

Members noted the contents of the correspondence.

(iv) Observations by Auditors

The Chair reported that M Fairbairn (SFC) sought to make the following clear in his letter to chairs of audit committees:

- the purpose was simply to draw to the attention of all Audit Committees some sector-wide feedback which they may find useful to refer to in relation to their own college's arrangements;
- the issues described in the letter did not arise in all colleges; and
- it was not the purpose of the letter to ask each Audit Committee to perform a formal review and send it to (SFC).

He also reported that the SFC have subsequently engaged with individual institutions which received the specific audit recommendations that were summarised in M Fairbairn's letter.

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

(v) Pension Accounting Treatments

A Kirk spoke to the contents of the correspondence from the Scottish Funding Council informing members that a response to this letter had been received from Russell Frith of Audit Scotland and that this would be included in the agenda of the next meeting of the Audit Committee.

A Kirk informed members that there remained considerable debate as to how the Strathclyde Pension Scheme should be treated in terms of the FRS 17 guidance. He reminded

members that the Board policy was to treat this scheme as a defined contribution scheme and that it had concluded that there was no reason to alter this in the current session. He informed members that the correspondence highlighted that it was the role of the Board to set the College policy not auditors.

A Taylor (KPMG) acknowledged that it was a matter for the Board to define College policy however it was the opinion of KPMG that the Strathclyde Pension Scheme should be treated as a defined *benefit* scheme rather than a defined *contribution* scheme and as such this would be reflected in the external audit report. The Chair noted these comments but reminded members that there was still no settled view within the accountancy profession as to how to treat such Pension Schemes.

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

(vi) Student Support – Related Returns – Academic Session 2006/07

The Chair spoke to the contents of the correspondence which acknowledged receipt of I Graham's letter of 5 October 2007 and the Student Support return for academic session 2006/07.

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

b) Strathclyde European Partnership – Article 4 Monitoring 2002-06: Follow-up Financial Checks

A Kirk spoke to the contents of the correspondence and reported that of the ninety seven (97) projects visited, seventy three (73) were recommended as requiring no further action, which included the projects from John Wheatley College.

Members of the Audit Committee agreed to note the contents of the letter from the Strathclyde European Partnership.

c) Audit Scotland – Technical Bulletin June 2007

A Kirk reported that information relating to FRS 17 given on page 52 of the Technical Bulletin had since been superseded.

A Kirk reminded members that the Board of Management had taken the decision some time ago not to enhance the pension of those

taking early retirement as the cost of such enhancements were borne by the College.

In response to questions A Taylor (KPMG) informed the Committee that life expectancy was taken into consideration when analysing contributions.

A discussion followed on Value for Money Indicators. A Kirk reported that Human Resources and Information and Communication Technology would participate in a benchmarking exercise using such indicators during the current session. He informed members that for each function there is a small set of primary indicators, which are aimed at senior management, and an additional set of secondary indicators, which operational managers may monitor. He further reported that it was anticipated this exercise would be concluded by the end of the current academic year.

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

d) Chief Finance Officer – EMA Final Summary Claim

A Kirk spoke to the contents of the correspondence to the Scottish Funding Council and highlighted the Education Maintenance Allowances final summary claim.

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

e) The Inverness Agenda

- (i) Feedback from Baker Tilly**
- (ii) Response from the Principal**

The Chair proposed that items 7e) (i) and (ii) would be discussed with item 13 e) later in the agenda.

This was agreed by members.

8. Baker Tilly

a) Internal Audit Progress Report – Session 2006/07

The Chair spoke to the contents of the report and the Audit Committee agreed to note the contents of the Internal Audit Progress Report from Baker Tilly.

b) Internal Audit Needs Assessment 2006/09

The Chair stated that this item would be addressed as the final agenda item in the absence of College Managers.

c) Internal Audit Annual Report – Session 2006-07

The Chair spoke to the contents of the Internal Audit Annual Report from Baker Tilly. He reported that the report had been prepared for use of the Audit Committee, Board of Management and Senior Management of John Wheatley College.

He further reported that on the basis of the work undertaken by Baker Tilly in relation to the year to 31 July 2007 and improvements following the reports, John Wheatley College has, in Baker Tilly's opinion, an adequate framework of control over the systems examined by them.

The Chair further reported that Baker Tilly assessed the adequacy of control using objectives agreed with College management. This highlighted two high priority recommendations made in relation to the systems reviewed, and three high priority recommendations made following previous reviews were reiterated.

The Chair reported that he had spoken with M Blyth (Baker Tilly) and that he was satisfied that no issues had arisen with John Wheatley College in light of the FEDD report on James Watt College.

The Chair requested from Baker Tilly identification of fees for audit and non-audit purposes for his annual report. G Notman (Baker Tilly) agreed to supply this information.

Members of the Audit Committee agreed to note the contents of the report from Baker Tilly.

9 Auditor General's Address to the ASC Conference

A Kirk apprised members of the Audit Committee of the contents of Mr Black's address. An electronic version of the Auditor General's Powerpoint presentation would be sent to all Audit Committee members.

A discussion then followed pertaining to the additional £100 million in capital which was made available to Colleges and Universities in a communication by the Cabinet Secretary for Education.

A Kirk reported that colleges would receive £60 million. Furthermore he reported that the additional funding awarded to John Wheatley College would be required to be committed by March 2008 and spent by July 2008 (post meeting note, College received £340k to be spent between April 2008 and March 2009).

He further reported that plans were well underway to commit this spend.

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

10. Audit Action Plan

S Double spoke to the contents of his paper which sought to apprise the Audit Committee of the current status of the Baker Tilly High Grade Internal Audit recommendations contained in the Audit Action Plan. He reminded members that the College is required by the Audit Committee to update members on the Audit Action Plan at each meeting.

In response to questions, the Chair informed members that each recommendation is graded either 'high', 'medium' or 'low'. 'High' gradings may only be removed upon agreement by the Audit Committee and 'medium' and 'low' gradings may be removed following agreement by management and Baker Tilly.

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

11. Individual Learning Account Compliance Audit

A Kirk spoke to the Chief Finance Officer's report, which sought to apprise members of the outcome of the Individual Learning Account Compliance report.

He requested that members note that the College risk band is assessed as being "low". A Kirk also reported that an ILA audit visit would now be expected to take place every eighteen (18) months.

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

12. Student Support Funds Audit 2006/07

A Kirk spoke to the Chief Finance Officer's report, which sought to apprise members of the audit of Student Support funds.

He informed members that Cahill Jack Associates performed the audit fieldwork in September 2007 and 3.5 Auditor days were allocated. Following this audit activity no high level recommendations were made.

In response to questions the Depute Principal informed members that Cahill Jack Associated had been appointed on a value-for-money basis.

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

13 Baker Tilly Internal Audit reports

a) Workforce Planning

A Kirk spoke to the Chief Finance Officer's report, apprising members of the contents of the Internal Auditor's report on Workforce Planning and the College management's response to the Auditor's findings.

He reported that two (2) low grade recommendations had been made and that the College had accepted both recommendations, which would be actioned by December 2007.

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

b) Management Information and Financial Co-ordination

A Kirk spoke to the Chief Finance Officer's report which sought to apprise members of the contents of the Internal Auditor's Report on Management Information and Financial Co-ordination and the College management's response to the Auditor's findings. The outcome of the audit visits are reported to the Audit Committee at regular intervals.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there is one new audit recommendation contained in the Baker Tilly report on Management Information and Financial Co-ordination;
- (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) Staff Absence and Utilisation

A Kirk spoke to the Chief Finance Officer's report, which sought to apprise members of the contents of the Internal Auditor's report on Staff Absence and Utilisation and the College management's response to the Auditor's findings.

He reminded members that the College employs Baker Tilly as its Internal Auditor. The Audit work undertaken by the Auditor is in accordance with an Audit Plan agreed by the Board's Audit Committee. The outcome of the audit visits are reported to the Audit Committee at regular intervals.

He informed members of the one (1) new medium grade recommendation.

A Kirk reported that two (2) previous recommendations were considered by the Auditor. As previously stated by College Management, the College does not plan to implement a staff appraisal system which would provide staff with a formal opportunity to appraise line managers. In addition he reported that the College will remind all line managers that return to Work interviews must be carried out promptly.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix;
- (ii) note that there is one new audit recommendation contained in the Baker Tilly report on Staff Absence and Utilisation;
- (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) Report on Internal Audit Visit June 2007 – Online Attendance Register Systems Review

A Kirk spoke to the Chief Finance Officer's report, which sought to apprise members of the contents of the Internal Auditor's report on the pilot of the Online Attendance Register System and the College management's response to the Auditor's findings. He informed the committee that the Online Attendance register System was a new software system currently being piloted by the College. It was hoped that, in due course, College management and auditors would be able to place reliance upon the system, allowing the phasing out of paper registers. The Depute Principal further reported that full implementation would not take place until August 2008 at the earliest.

In response to questions the Depute Principal reported that paper registers were also being maintained during the pilot.

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

e) Review of FEDD Report on James Watt College

Item 7e) (i) and (ii) would be covered by Item 13e).

A Kirk spoke to the Chief Finance Officer's report on the review of the Further Education Development Directorate (FEDD) report on James Watt College. He reminded members of the Audit Committee that the FEDD carried out a review of management arrangements at James Watt College. In response to the FEDD report (previously considered by the full College Board of Management), Baker Tilly were requested to assess the extent to which the report on James Watt College had implications for John Wheatley College. G Notman (Baker Tilly) provided a report which summarised the recommendations made in the FEDD report and provided a brief narrative on the relevance of each recommendation to John Wheatley College. She informed members that it was the view of Baker Tilly that none of the recommendations identified in the FEDD report were applicable to the College as it has appropriate planning and monitoring procedures.

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

14. BCS Qualifications Audit/External Verification Visit Report

J Wilson spoke to the contents of the report, which sought to apprise members of the report from the audit/external verification visit of 29 September 2007. She reported that since September 2000 the College has been a recognised centre for delivery and assessment of the European Computer Driving Licence (ECDL) certificated by the British Computing Society (BCS). As part of the College's contract with the BCS the College participates in an annual audit/external verification visit. The annual visit usually takes place early in the academic session, however, during Session 2006/07 the external audit visit was delayed by the BCS until December 2006. She further reported that since the last audit a revised set of procedures has been put in place which has been supported by a range of continuing professional development activities.

J Wilson reported that the numbers of students enrolling for ECDL this year had decreased. This was largely due to the increasing popularity of the PC Passport qualification accredited by the Scottish Qualifications Authority.

She further reported that all actions highlighted in the previous report had now been addressed and that the College had maintained its Grade B status.

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

15. Performance Indicators for Auditors

A Kirk spoke to the contents of the report, which sought to apprise members of the performance indicators the College proposed to use for year 2006/07. He informed the Committee that these were the same performance indicators utilised in financial year 2005.

The Depute Principal reminded members that one of the recommendations from a previous report from the Financial Audit and Monitoring Service (FAMS) of the Scottish Funding Council (SFC), now Governance & Management, Appraisal & Policy (GMAP), was that the College should put in place performance indicators appropriate to measure the service supplied by the College's internal audit services.

The Chair noted that the report listed 29 different measures and while it was not necessary to apply all such measures it was desirable that the report be addressed as a matter of urgency.

Members of the Audit Committee agreed to:

- (i) note the contents of this report;
- (ii) agree the suite of performance indicators to be used to evaluate the College's internal audit service;
- (iii) agree to utilise the performance indicators for financial year 2006/2007; and
- (iv) request the College to bring forward a review report at a future meeting of the Audit Committee.

16. Audit Scotland – Technical Bulletin – 2007/3

The Chair spoke to the contents of the Bulletin and noted in particular page 7 – Interpretation on employee benefits standard and pages 5-6 – Draft guidance on materiality.

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

17. John Wheatley College – Meeting Schedule – Session 2007/08

Members agreed to note the contents of this schedule, which was provided for information only.

18. Board Development Training

The Chair reminded members and management that the necessity for background knowledge training for Audit Committee members had previously been highlighted in a self-evaluation exercise. As

this had not been actioned, he stressed the urgency for this. Following discussion it was proposed by H Ostrycharz that background knowledge training for all Board Members may be beneficial. This proposal was welcomed by members and A Sherry agreed to discuss the matter with R Venditozzi, the Board member responsible for development events.

19. Risk Management – Risk Issues to be considered as a consequence of the consideration of the above agenda

Members agreed that no risk issues arose as a consequence of the above agenda.

The Chair proposed that Item 8b) was discussed.

8. b) Baker Tilly – Internal Audit Needs Assessment 2006/2009

A declaration of Interest was made by Ian Aird and Gillian Notman as a consequence of their employment with Baker Tilly.

A Kirk spoke to the contents of the report and stated that the management of John Wheatley College felt that the number of audit days was too high.

Management therefore requested that the following changes be made:

- (i) business continuity plan to be reduced from two days to one day;
- (ii) procurement of IT equipment for new build to be reduced from three days to two days;
- (iii) estates management to be addressed next session, therefore reducing the total by two days; and
- (iv) bursaries and other student funding to be undertaken by an alternative organisation, therefore reducing the total by three days

The Audit Committee agreed to suspend standing orders.

A Kirk, S Double, J Wilson and A Sherry of John Wheatley College left the meeting at 2 pm.

G Notman (Baker Tilly) accepted that the current level of audit days was too high and they were content to leave the auditing of Estates Management until next session.

In response to questions, Baker Tilly confirmed that payroll would be addressed next session. A Taylor (KPMG) confirmed that key controls pertaining to payroll were examined every year by the external auditors.

Furthermore, A Taylor (KPMG) agreed that KPMG was content to reduce the number of audit days, as no significant control weaknesses had been found at the end of the first year.

The Audit Committee agreed to the following:

- (i) business continuity plan would be reduced to one day;
- (ii) procurement of IT equipment would be revisited upon Baker Tilly's completion of a two day plan. If the Committee felt it was too limited then three days would be allocated;
- (iii) estates management would be addressed in session 2008/09; and
- (iv) bursaries and student funding audit might be allocated to another organisation

The total number of Audit days could therefore be reduced to 24 (or 25 pending the result of Baker Tilly's plan and the allocation of the bursary and student funding to another organisation).

20. Closure

The meeting closed at 2.30 pm, with the Chair thanking all members for their contribution.

21. Date of Next Meeting

The date of the next Audit Committee meeting would be Tuesday 4 December 2007.