

# **John Wheatley College**

## **Board of Management**

### **Audit Committee**

**Minutes of the Audit Committee held on 9 February 2005 at 12.30pm in the Seminar Room of the College of Building and Printing, 60 North Hanover Street, Glasgow.**

#### **1. Sederunt**

The meeting commenced at 12.30pm and was attended by:

D O'Brien (Chair) and  
A Woolley.

In Attendance

I Graham (Principal);  
A Kirk (Depute Principal);  
A Inglis (Assistant Principal);  
C Clinton (Baker Tilly);  
H Russell (Audit Scotland);  
P Lindsay (Audit Scotland);  
R Stewart (Clerk to the Board);  
M Brennan (Financial Adviser to the Board); and  
S Vaughan (for recording purposes only).

#### **2. Apologies**

None

#### **3. Terms of Reference**

No declarations of interest were expressed at the meeting.

#### **4. Declarations of Interest**

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

#### **5. Minutes of the meetings held on:**

##### **i) 18 November 2004; and**

The minutes were accepted as an accurate record of the meeting held on 18 November 2004.

**ii) 7 December 2004**

**Item 11 - Draft Annual Audit Report**

D O'Brien queried whether the phrase "appropriate specialist auditor" was correct. C Clinton confirmed that this was incorrect and requested that this be changed to "the availability of a specialist auditor at that time". This change was agreed by all present.

**6. Matters arising from the minutes of the meeting held on 19 November and 7 December 2004**

**Value for Money Agenda  
Report by Depute Principal**

Members considered the contents of the above paper, which was tabled at the meeting. A Kirk spoke to the contents of this paper, which outlined the areas for review in sessions 2003/04 and 2004/05 respectively. The Principal stated that as previously requested by D O'Brien, the College would include the issue of addressing bad debt earlier in the 2005/06 Action Plan.

Regarding areas for review in 2003/04, A Kirk reported that both the audit and insurance work had been reviewed by Baker Tilly. He further reported that the security contract was out for tender at the present time. The Principal stated that the College may need to amend the Value-for-Money Strategy and prioritise areas for Value-for-Money (vfm) studies within the Audit Plan.

In response to questions from D O'Brien, the Principal confirmed that in approximately April of each year, the College implements a revised vfm schedule. He stated that at that time the College may wish to specify in the Board minutes what issues the internal auditor should investigate. The Principal suggested that the College should indicate those areas where it wanted the internal auditors to concentrate their efforts for the next year. D O'Brien agreed with this proposal. The Principal stated that he would alter the report in order to reflect the fact that the Board would determine the priorities for the internal auditors in the future.

He also agreed to forward a template of a vfm strategy to the Chair to illustrate how this might be achieved.

**7. Correspondence**

**i) SFEFC – Annual Audit Report – receipt of letter**

Members noted the contents of the correspondence, which clarified that the College's Annual Audit report had been received by Roger McClure (Chief Executive of the Scottish Further Education Funding Council {SFEFC}) on 10 December 2004. The Principal stated that the Annual Audit report would be on the agenda of the Board of Management meeting on 17 February 2005. This

timescale was determined by the availability of the final version of the External Auditors Management letter.

## **8. External Auditor's Management Report – financial/academic year 2003/04**

The Principal spoke to the contents of his report, which apprised members of the External Auditor's Management Report for financial/academic year 2003/04 and advised members of the steps that had been taken to apprise the SFEFC of that document. I Graham confirmed that the External Auditor's Management Report had been considered by the Board at the Board Annual Planning Event on 19 January 2005. Members agreed to:

- i) note the contents of the Principal's Report;
- ii) note the contents of the External Auditor's Management Report in respect of financial/academic year 2003/04 (attached as Annex 1 to this report);
- iii) note the steps taken by the College to advise the SFEFC of the contents of the Audit Scotland Management Report ahead of this meeting of the Audit Committee; and
- iv) refer this report (and its annexes) to the next meeting of the Board of Management for the general information of members.

## **9. Report on Internal Audit Visit December 2004: Grant Income**

The Depute Principal spoke to the contents of his report, which apprised members of the contents of the Internal Auditor's report on Grant Income which was undertaken in December 2004. A Kirk asked members to note that Baker Tilly had made 2 low grade recommendations, which were highlighted in his report. The Depute Principal informed members that these recommendations referred to the fact that there were no documented procedures for the process of applying for, recording and receipt of grant income and that there was one instance where a return in respect of a European Regional Development Fund (ERDF) claim for the Greater Easterhouse Learning Network was signed late due to the Depute Finance Manager being on holiday. In reference to the former, A Kirk stated that the College would review this area with a view to incorporating relevant instructions in the College's Financial Procedures Manual. In reference to the latter, the Depute Principal stated that the College would review this area with a view to incorporating relevant training within individual training plans. He further reported that the College's Chief Accountant (B Forrest) would be responsible for addressing both of these recommendations.

D O'Brien highlighted item 1.18 in Baker Tilly's report on the internal audit visit in December 2004 which referred to grant income and asked whether the College held documentation regarding students that were in receipt of grant income. The Principal informed D O'Brien that the College does have this documentation and that the papers are considered on the agenda of meetings of the Financial Control Committee. Furthermore, he

stated that the Board of Management receives the minutes of both the Financial Control Committee and the Academic and General Purposes Committee.

Subsequently members agreed to:

- i) note the contents of the report and its Appendix;
- ii) note the audit recommendations contained in Baker Tilly's report on Grant Income;
- iii) note the College's proposed action to address the audit recommendations;
- iv) request the College to address the audit recommendations and update the Audit Action Plan; and
- v) request the College to bring forward an update report at the next meeting of the Audit Committee.

#### **10. Report on Internal Audit Visit December 2004: Contracts and Tendering**

The Depute Principal spoke to the contents of his report, which apprised members of the contents of the Internal Auditor's report on Contracts and Tendering which was undertaken in December 2004. A Kirk asked members to note that Baker Tilly had made 2 medium grade and 4 low grade recommendations, which were highlighted in his report. He reported that the majority of the recommendations related to the College's documentation of procedures. Regarding Baker Tilly's recommendation that a list of approved building contractors be kept for use in future contractual procedures in order to save time, A Kirk stated this recommendation had been made a number of times over previous years, and that the College did not intend to maintain such a list, because the list would only be valid on the day that it was prepared. Nevertheless, he reminded members that the College used Constructionline, the Scottish Executive's Construction Contractors' Database for major contracts. The Depute Principal also confirmed that contractors that were given work by the College underwent checks in order to ensure the adequacy of their Health and Safety provisions. A Kirk stated that the College spent approximately £60,000 per annum on both cleaning and security contractors. He also confirmed that the College did not employ a single legal advisor and preferred instead to employ experts in specific fields as and when required. He further confirmed in response to questions that there were occasions when the College accepted tenders from contractors which were are not the lowest that had been received, because the College had to consider the quality of the service that would be provided, as well as the financial implications. Subsequently members agreed to:

- i) note the contents of this report and its Appendix;
- ii) note the audit recommendations contained in Baker Tilly's report on Contracts and Tendering;

- iii) note the College's proposed action to address the audit recommendations;
- iv) request the College to address the audit recommendations and update the Audit Action Plan; and
- v) request the College to bring forward an update report at the next meeting of the Audit Committee.

## **11. Report on Internal Audit Visit December 2004: Budget Systems**

The Depute Principal spoke to the contents of his report, which apprised members of the contents of the Internal Auditor's report on Budget System which was undertaken in December 2004 . He asked members to note that Baker Tilly had made 2 low grade recommendations, which concerned details in the College's Financial Procedures Manual and which the College would address. A Kirk stated that in response to one of the recommendations which were made by Baker Tilly, which was that a monetary sensitivity analysis should be undertaken and included in the College's Operational Plan, the College intended to include this analysis in its Strategic and Operational Plan. In response to an enquiry from D O'Brien, the Depute Principal confirmed that the College prepared budgets over a two-year cycle.

The Principal stated that the SFEFC's letter acknowledging its receipt of the College's copy of Audit Scotland's management letter for 2003-04, which was affixed to the Depute Principal's report, should have been considered under 'matters arising'. Members agreed to note this as a separate item.

Subsequently members agreed to:

- i) note the contents of this report and its Appendix;
- ii) note the audit recommendations contained in Baker Tilly's report on Budget Systems;
- iii) note the College's proposed action to address the audit recommendations;
- iv) request the College to address the audit recommendations and update the Audit Action Plan; and
- v) request the College to bring forward an update report at the next meeting of the Audit Committee.

## **12. Effectiveness of the Audit Committee**

The Depute Principal spoke to the contents of his report, which sought to propose a potential mechanism for the Audit Committee to conduct a self-assessment of its effectiveness and report this to the Board of Management. The Principal stated that in response to one of the

recommendations that were made in the report (namely that the Chair of the Audit Committee should invite formal written feedback on the operation of the Audit Committee from the College's Internal Auditor) he had written to the College's Internal Auditors. However, he reported that he had not yet received a response.

Members were asked by Andy Woolley to note item 3.12 in the SFEFC's Code of Audit Practice for August 2000, which stated that 'It may be considered good practice to have the Chairman of the Audit Committee attend Finance Committee meetings to ensure that matters concerning the Audit Committee are given appropriate weight by the Finance Committee and to inform future meetings of the Audit Committee. Colleges may wish to consider whether the Chairman of the Finance Committee should attend meetings of the Audit Committee.

Members agreed to:

- i) note the contents of this report and its Appendix;
- ii) note the proposals for the self-assessment of the effectiveness of the Audit Committee;
- iii) agree the proposals for the self-assessment of the effectiveness of the Audit Committee;
- iv) request the Chair of the Audit Committee to seek feedback on the operation of the Audit Committee from College management, Internal and External Auditors;
- v) request the Assistant to the Board to place self-assessment on the agenda of the Audit Committee meeting scheduled for 21 April 2005; and
- vi) request the Assistant to the Board, with the agreement of the Chair of the Board, to place an item related to the self-assessment of the Audit Committee on the agenda of the Board of Management meeting scheduled for 24 May 2005.

### **13. Audit Action Plan: Internal Audit – Update Report**

The Depute Principal spoke to the contents of this report, which sought to apprise the Audit Committee of the current status regarding the Grade 1 (High Grade) Internal Audit recommendations contained in the Audit Action Plan. D O'Brien informed members that this report was an amalgamation of two documents on the Audit Action Plan which had been considered by the Audit Committee at previous meetings. D O'Brien highlighted pages 1 to 4 of the Audit Action Plan (Appendix 1) which addressed the grade 1 recommendations that had been made by Baker Tilly and stated that it was recommended that the recommendations that were outlined on these pages regarding the College's ICT system be considered as complete. However, C Clinton subsequently requested that these recommendations remained outstanding until Baker Tilly had addressed them. The Principal stated that the College recommended that these recommendations were removed. C Clinton proposed that an additional column be inserted at the end of the Audit Action Plan

document, which would outline the internal auditor's response to the recommendations. This was agreed by all present. D O'Brien requested that the Internal Auditors should undertake to review the College's actions in respect of the ICT BDO Stoy Hayward recommendations as soon as possible.

D O'Brien asked what action the College had taken regarding the high grade recommendation outlined on page 1 of the Audit Action Plan (Appendix 1) in reference to the upgrading of the DREAM system. The Depute Principal confirmed that the College was currently awaiting implementation by CODA and that consequently the actions required regarding this recommendation would be completed by March 2005. Regarding the recommendation that a cash flow forecast compared to the original/revised budget is included within the management information provided to Committee members, which was made on the same page of the Audit Action Plan document, D O'Brien highlighted the fact that the report stated that the Chief Accountant has prepared and presented Cash reports to Management Committees during October 2004.

Members were asked to note the Grade 1 recommendation which was made on page 5 of the Audit Action Plan (Appendix 1), which stated that the College should consider preparing a periodic cash flow forecast for inclusion with the monthly management accounts and that the forecast should subsequently be compared with the actual cash flows for the period. C Clinton confirmed that these recommendations had been addressed and that they should consequently be removed from the Audit Action Plan.

Regarding the College's actions in relation to ensuring that there was appropriate coverage for the Bursary Officer if he was unexpectedly absent, which was outlined on page 7 of the Audit Action Plan (Appendix 1) the Depute Principal confirmed that the recommendation that had been made by Baker Tilly had been implemented by the College.

Following discussions, D O'Brien confirmed that the issue of whether the high grade recommendations that were outlined in the Audit Action Plan (Appendix 2) had been addressed by the College would be a matter for discussion at a future Audit Committee meeting. C Clinton stated that Baker Tilly had produced a report on the Student Record system which was highlighted on page 1 of the Audit Action Plan (Appendix 2) and that this report would be considered at the next meeting of the Audit Committee.

Members were asked to note that Baker Tilly's paper outlined the recommendations which had been drafted but not implemented. It was confirmed that the College was awaiting internal discussions of the proposals that had been made before it could ratify the outstanding recommendations. It was agreed that Baker Tilly would insert an additional column at the end of the Audit Action Plan document, which would outline the internal auditor's response to the recommendations that had been made previously and that this document would be considered at the next Audit Committee meeting, as previously discussed.

Members agreed to:

- i) note the contents of this report;
- ii) note the Grade 1 audit recommendations contained in the Audit Action Plan.

#### **14. Audit Action Plan: External Audit – Update Report**

The Depute Principal spoke to the contents of this report, which sought to apprise the Audit Committee of the Final Report on the 2002/03 Audit Scotland Audit Action Plan. The Principal stated that A Sherry had a copy of the internal plan for the auditors, which H Russell agreed to copy to C Clinton. In reference to item number 4, page 7 paragraph 27 in the Action Plan (Appendix A), the Principal confirmed that the debts in relation to 2000/01 and 2001/02 student fee income could be written off in March 2005. In reference to item number 5, page 7 paragraph 28 in the Audit Action Plan (Appendix A) which was that the College would inform the Board of the proposed action with regards to the impact of accelerated depreciation/impairment on the College's financial position, the Principal stated that he had spoken to the Chief Accountant regarding this issue and that this action may be completed earlier than July 2005.

Regarding Appendix B (final report on the Audit Action Plan) H Russell stated that the Audit Action Plan for 2003/04 had not been issued because most of the recommendations had been addressed, with the exception of the issue of impairment (item 3), which has been added to the Audit Action Plan for 2004.

Members agreed to:

- i) note the contents of this report;
- ii) note the 2003/04 audit recommendations contained in the Audit Scotland Audit Action Plan.

#### **15. Audit Scotland – Technical bulletin: December 2004**

Members noted the contents of the bulletin. The Principal stated that the College would monitor the progress that was made with regards to the Institute of Internal Auditors (IIA) position statement on risk management, the Financial Reporting Council (FRC) consultation on the Turnbull Guidance and the Freedom of Information (Scotland) Act 2002, all of which were referred to on page 9 of the bulletin. He further stated that the College would ensure that the Freedom of Information (Scotland) Act 2002 was a priority for compliance this year.

#### **16. Closure**

The meeting closed at 1.25pm.

**17. Meeting with Audit Scotland**

In line with good practice, the Committee then held a routine meeting with Audit Scotland. The Committee noted the comments of Audit Scotland, in particular that they had welcomed the appointment of Bob Forrest (Chief Accountant) and they hoped the College would be similarly successful in finding his replacement.

**18. Date of Next Meeting**

The next meeting is scheduled for Thursday 21 April 2005 at 12.30pm at Strathclyde European Partnership, Elmbank Street.

IG/SV  
9 February 2005