

JOHN WHEATLEY COLLEGE

BOARD OF MANAGEMENT

AUDIT COMMITTEE

MINUTES

Minutes of the meeting held on Thursday 19 November, 2009 at 5 pm in Room MF12/14, East End Campus.

1 Sederunt

M Forsyth (Chair);
E MacArthur;
H Ostrycharz.

In Attendance:

I Graham (Principal);
J Gow (Chief Finance Officer);
A Sherry (Assistant Principal);
A Inglis (Assistant Principal);
G Gillespie (Wylie & Bisset);
D Watt (KPMG);
A Carlin (Teaching Staff Representative);
R Stewart (Clerk to the Board); and
Lorna McEwan (for recording purposes only).

2 Apologies

R Saez.

3 Terms of Reference

Members noted the terms of reference for the Audit Committee. It was confirmed that the meeting was quorate with 3 (three) members in attendance,

4 Declarations of Interest

There were no declarations of interest expressed at the meeting of 19 November, 2009.

5 Minutes of the meeting held on 8 September, 2009

An amendment would be made to page 5, final paragraph as follows:

The Principal confirmed that he had written to Nigel Paul (Chief Executive, APUC) to express the concerns of the College in this respect.

to

The Principal confirmed that he had written to Nigel Paul (*Chairman*, APUC) to express the concerns of the College in this respect.

The minutes were then accepted as an accurate record of the business conducted at the meeting held on 8 September, 2009.

6 Matters arising from the Minutes of the Previous Meeting.

Item 9 – Procurement Capability Assessment Guidance

The Principal confirmed that he and other members of the Management Team had recently met with Angus Warren (Chief Executive, Advanced Procurement in Universities and Colleges).

Members noted with satisfaction that the changes outlined by Mr Warren at the meeting would, in time, address almost all of the earlier concerns which the College and its Board entertained about APUC and related developments.

Also considered at this meeting was the Procurement Capability Assessment (PCA) exercise which APUC was conducting in colleges and Higher Education Institutions (HEI's) on behalf of the Scottish Government. This was intended to benchmark the preparedness of establishments to secure purchasing economies of scale in public procurement (in line with the recommendations of the McLennan Report). It was understood that the college would undergo this audit early in calendar year 2010. The results of this exercise would, the Principal confirmed, be reported to an appropriate future meeting of the full Board.

7. Correspondence

a) Scottish Funding Council

i) SFC Circular 28/2009 – Student Support Funds: 2008/09 Audit Guidance

The Principal spoke to the contents of the SFC Circular which sought to describe the Council's guidance on the audit arrangements for 2008/09 Student Support Funds.

Following a short discussion members of the Audit Committee agreed to note the contents of the Circular.

ii) SFC Circular 29/2009 – Research Excellence Grant: Updating other Activity Indicators

The Principal spoke to the contents of the SFC Circular which sought to request institutions to provide updated values of the other activity indicators in order to inform the allocation of research funding through the Research Excellence Grant (REG) in 2010/11.

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

b) APUC – Procurement Capability Assessments (PCA)

The Principal spoke to the contents of the correspondence from Advanced Procurement for Universities and Colleges (APUC) to Linda

McTavish, (Chair, Scotland's Colleges Principals' Convention) which sought to provide clarification of Procurement Capability Assessments (PCA) in respect of Colleges.

Following discussion members noted that there was now some degree of 'proportionality' in this process in respect of Colleges.

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

8. Annual Reports – 2008/09

a) Annual Accounts and Report 2008/09

The Chief Finance Officer spoke to the contents of the report which sought to provide members of the Audit Committee with an opportunity to review the draft of the College Annual Report and Accounts for the 2008/09 financial year prior to consideration by the Board of Management.

Members noted that a draft of the accounts had previously been considered by the Financial Control Committee in September 2010.

Members recalled that the Annual Accounts are considered by both the Financial Control Committee and Audit Committee prior to approval at the full Board of Management meeting scheduled for 3rd December.

Members noted that the College reported a surplus of £51k for the year which was broadly in line with the budget and the estimated surplus of £48k reported to the Scottish Funding Council (SFC) in the FFR (Financial Forecast Return).

Members further noted the key aspects of the Accounts as follows:

- expenditure for the year was £10.9m, a 15% increase on the previous year;
- staff costs increased by 12% due to increased staffing levels as a result of increased activity, increased pension costs and the 5% pay award; and
- expenditure included £735k in non-recurring project costs mainly relating to the refurbishment of the Easterhouse Campus.

J Gow informed members that Teaching Activity had grown by 5% during the year and that the SFC activity target was 35,697 WSUMs (Weighted Student Units of Measurement).

Members noted that during the year the College enrolled 8,573 learners and delivered 39,045 WSUMs. The College therefore exceeded the activity target by 9%.

The Chief Finance Officer highlighted the main reasons for the increase in the activity levels at the college as follows:

- increased pre-vocational activity part funded by local partners (such as the Glasgow East Regeneration Agency);
- delivery of additional activity as part of the value-for-money strategy to deliver 2% cash releasing efficiency savings;
- impact of first year of the Care-Leavers' project (funded by the SFC with no specific additional WSUMs target attached); and
- expansion of Glasgow East Learning Network (GELN) funded by Glasgow Housing Association and by the *Fairer Scotland Fund* through Glasgow City Council.

Members agreed to note the key aspects of the College's Balance Sheet as follows:

- fixed asset additions totalled £165k consisting mainly of investment in ICT hardware and infrastructure;
- all fixed asset additions had been fully financed by capital grant receipts;
- the College had moved from a net current liabilities position at the end of 2007/08 to a break even position in 08/09;
- debtors included £100k owed by Glasgow City Council in respect of a capital grant relating to the East End Campus, however Glasgow City Council had, finally, confirmed to the College's Lawyers that it would pay this (this was a matter, members noted, which KPMG considered to be a 'risk' in previous audit reports to the Committee); and
- the Easterhouse Campus had been re-valued upwards by £483k following the year 3 valuation as at 31 July 2009.

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

b) KPMG – Annual Audit Report to the Board of Management and Auditor General for Scotland - Draft

D Watt spoke to the contents of the draft Annual External Audit Report which would be finalised by the Board at a future meeting.

Members noted that strong financial controls were in place which were in line with forecasts.

The Principal intimated that the College had a firm commitment that the outstanding amount of £100,000 owed by Glasgow City Council to the College would be paid in the very near future.

D Watt confirmed that the College's Governance and Risk procedures were very robust and strong and accepted the Principal's offer of help to 'edit' the vocabulary / punctuation throughout the document.

Members of the Audit Committee agreed to note the contents of the draft Annual Audit Report.

c) KPMG – Report to those charged with Governance

D Watt spoke to the contents of the report which sought to provide members with sight of the Report to those in the college charged with Governance (i.e. the Board of Management).

Mr Watt confirmed that the draft financial statements and supporting documentation were available in line with the agreed timetable and were of a high standard. They required no material amendment as a consequence of the audit.

Members noted KPMG's intention to issue again a qualified audit opinion on the financial statements on the basis of the continuing disagreement related to the accounting treatment of FRS 17 Retirement benefits and an unqualified opinion on the regularity of transactions reported within these financial statements.

The Principal indicated that the Board and Financial Control Committee had reviewed this Accounting Policy on several occasions and, despite KPMG's opinion, it was unlikely that the Pensions' Policy would be changed for 2009/10.

Members of the Audit Committee agreed to note the contents of the draft Report to those charged with Governance.

9. Draft Annual Audit Report 2008/09

M Forsyth spoke to the contents of her report to the Audit Committee prior to its future consideration by the Financial Control Committee and Board of Management. Members noted that the Report sought to provide members with an overview of the work of its Audit Committee during financial/academic year 2008/09 (which ended on 31 July 2009).

It also sought to enable the Board to comply with guidance in this respect issued to the Further Education Sector in Scotland by the Scottish Funding Council (SFC).

Members noted that the guidance required that the Board submit the report to the SFC by the end of calendar year 2009.

Ms Forsyth highlighted the main points of the report and spoke briefly to each of the following sections:

- discussion protocols;
- provision of Finance-related Audit Services;
- meetings of the Audit Committee in 2008/09;
- remit of the Committee;
- changes in the Committee's composition;
- Internal audit reports – 2008/09;
- Student Activity Audit;
- External Audit – draft Annual Audit Report 2008/09;
- Progress towards Financial Security;

- Best Value and Value-for-Money;
- Other audits;
- Audit Committee – Performance Indicators;
- Opinion; and
- Acknowledgements.

Members thanked Ms Forsyth for the comprehensiveness of her report. Mr Watt also confirmed that the approach adopted represented 'good practice'.

Members of Audit Committee agreed to note the contents of the Report and refer the Report to the Board and Financial Control Committee for further consideration.

10 Student Activity Audit 2008-09

A Inglis spoke to the contents of the report which sought to provide members with a copy of Baker Tilly's Audit report, the Student Activity Certificate and associated data required by the Scottish Funding Council (SFC) in relation to the College's teaching activity for academic year 2008/09.

Members recalled that the College was required to provide, on an annual basis, an audited return in this respect to the SFC and that Baker Tilly were requested to undertake the audit in respect of the 2008/09 Academic Year. The audit took place in October 2009.

Members further recalled that the SFC's 'target' for Academic Year 2008/09 was 35,697 Weighted Student Units of Measurement (WSUMs).

The Assistant Principal informed members that the College had exceeded this target and delivered 39,045 WSUM's during the year (an over-achievement of circa 9%). This was accounted for by the college's approach of treating activity funded by other outcome as 'additional' to that directly funded by Grant-in-Aid.

Members further noted that the apparent 'over-achievement' was delivered as a consequence of additional funding being provided by the SFC in respect of the Care Leavers' pilot programme, the impact of delivering additional activity as a consequence of achieving a 2% efficiency saving during the year and the delivery of additional provision commissioned by partner agencies, mainly Glasgow East Regeneration Agency (GERA).

A discussion then followed in respect of the auditor's report and members then agreed to:

- i) note the contents of the report and its appendices;
- ii) note the contents of the auditor's report;
- iii) note that the College exceeded its activity target for 2008/09; and
- iv) note that the College submitted its on-line FES return, its 'SUMs claimed' and Audit Certificates to the SFC prior to the due date.

11. British Computer Society Annual Audit

A Sherry spoke to the contents of the report which sought to apprise members of the outcome of the British Computer Society (BCS) audit undertaken in September 2009.

Members recalled that the College offered a number of specialist qualifications which were certified by bodies other than the Scottish Qualifications Authority (SQA) and that the qualifications delivered under the auspices of BCS are required to undergo an annual external audit as part of the quality assurance procedure of that organisation.

Members had been provided with a copy of the external audit report for information and noted that the College had retained an 'A' Grade ranking within the BSC quality framework.

Members of the Audit Committee agreed to:

- i) note the contents of the report and its appendix; and
- ii) note the successful outcome of the British Computer Society Audit.

12. Investors in People Audit

A Sherry spoke to the contents of the report which sought to apprise members of the outcome of the *Investors in People* (IiP) audit conducted in September/October 2009.

Members recalled that one of the targets included in the College Plan for Sessions 2009/12 was to seek re-recognition under the IiP quality standard. Members further recalled that the IiP Standard had recently been revised and a copy of the revised document was attached as Appendix 1.

The Assistant Principal informed members that organisations undertaking an IiP audit were assessed against the appropriate criteria contained within the ten elements of the Standard. In addition the College requested that the auditor review the College in relation to the following:

- a) succession planning in light of the demographic profile of College staff;
- b) the approach to the implementation of revised procedures to take account of the new SFC/HMIE Quality Framework;
- c) the strategy and support for staff to embed the use of ICT within learning and teaching; and
- d) how staff were supported to deliver the Board's Equality Agenda.

Members noted that unlike other external audits the emphasis with IiP was on the processes which supported the above rather than the existence of detailed written procedures. Therefore to ascertain the College's compliance with the Standard and to evaluate the four other elements identified by the College the auditor interviewed thirty-two (32) staff members selected to provide a representative sample of the workforce. The auditor conducted these interviews over three days.

Members had been provided with a copy of the report which was subject to an accuracy check with regard to a few minor factual errors with regard to membership of the Board of Management and College terminology.

Members noted that the auditor identified a number of strengths and examples of good practice.

Members noted that the audit report also contained potential development areas which the College would consider as part of the operational planning processes for the future.

Overall the auditor concluded that she was *satisfied beyond doubt that John Wheatley College continued to meet the requirements of Investors in People*.

In addition, members noted that this report and its appendices would be considered at appropriate future meetings of the:

- a) Board of Management;
- b) Personnel and Staffing Committee;
- c) Joint Consultative Committee; and
- d) Quality Enhancement Committee

M Forsyth commended the College on behalf of the Audit Committee for the very favourable report in respect of IIP.

Members agreed to:

- a) note the contents of this report and its appendices;
- b) note that the College had achieved Investors in People recognition for a period of three years; and
- c) request the Assistant Principal to place copies of the this report on the agendas of future meetings of the :
 - i) Board of Management;
 - ii) Personnel and Staffing Committee;
 - iii) Joint Consultative Committee; and
 - iv) Quality Enhancement Committee

13. Student Support Funds Audit 2008/09

J Gow spoke to the contents of his report which sought to provide members of the Audit Committee with a copy of the College's audited data return to the Scottish Funding Council (SFC) and the Student Awards Agency Scotland (SAAS) in respect of expenditure on student support and the administration of the funds.

Members noted that Wylie & Bisset conducted the audit in respect of the funds for the 2008/09 financial year in October 2009 and a copy of the audit had been provided for members' information.

Members noted that the report made 2 (two) Low Priority recommendations and further noted the College's response in this respect.

The Committee were satisfied that as the recommendations were Low Priority, they would not be added to the Audit Action Plan which included only High and Medium Priority Recommendations.

Members of the Audit Committee agreed to:

- i) note the contents of the report and its appendix;
- ii) note that the Student Support Fund Audit Certificates had been submitted to the SFC and SAAS; and
- iii) note that two low priority recommendations have been made in respect of the administration of the funds.

14. Audit Action Plan

J Gow spoke to the contents of the report which sought to apprise the Committee of the current status of the medium/high grade internal audit recommendations contained in the College's Audit Action Plan.

Members recalled that the College was required by the Audit Committee to maintain and follow an Audit Action Plan.

Furthermore, members recalled that from 01 August 2008, in addition to high grade recommendations raised by the College internal auditors, all medium grade recommendations raised would also be added to, and monitored using, the Audit Action Plan.

The Chief Finance Officer reminded members that Wylie & Bisset had been appointed as the College internal auditors for an initial period of three years commencing 01 August 2009 with a two year option to extend.

Members recalled that it was agreed, at a previous meeting, to report on the Audit Auction plan at every meeting of the Audit Committee.

A copy of the Audit Action Plan as at November 2009 was attached as appendix 1 for members' information. Members noted that there had been no changes made to the plan since the last meeting of the Audit Committee.

Members noted the items on the Action Plan as follows:

Internal Audit Review	High Grade Recommendations	Medium Grade Recommendations
Student Records	1	3
ICT	0	4
Asset Register	0	3
Estates Management	0	2

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

15. Risk Management - Risk Issues to be considered as a consequence of the consideration of the above agenda

Following discussion members agreed that there were no new risk issues to be considered as a consequence of the meeting of 19 November, 2009.

16. Closure

The meeting closed at 5.45 pm with the Chair thanking all in attendance for their contribution to the meeting.

17. Date of Next Meeting

The next meeting of the Audit Committee would take place on Thursday 20 May, 2010