

**John Wheatley College**

**Board of Management**

**Audit Committee**

**Minutes of the Audit Committee held on Thursday 21 September 2006 at 12.30 pm in the Conference Room of Strathclyde European Partnership, 94 Elmbank Street**

**1. Sederunt**

The meeting commenced at 12.30pm and was attended by:

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

In Attendance:

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

**2. Apologies**

Dr. M Cloonan;  
M Blyth (Baker Tilly);  
H Russell (Audit Scotland); and  
A Sherry (Assistant Principal)

**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 15<sup>th</sup> June 2006**

The minutes of the previous meeting were taken as read. They were accepted as an accurate record of the meeting held on 15<sup>th</sup> June 2006.

## **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**

#### **(i) Improving the Quality of Data Returns**

Members noted the correspondence from the Scottish Funding Council with the Principal reporting that 3 members of the Council are scheduled to visit to the College on the 13<sup>th</sup> October 2006 to discuss the student data return for session 2005/06. In particular the visit would focus on:

- DPG18 (support to learn programmes) and Extended Learning Support; and
- Open Learning provision; and
- Procedures for recording withdrawals.

He informed members that as part of this review process all colleges were scheduled to receive such a visit.

Members noted the correspondence from the Funding Council.

#### **(ii) Circular 49/06 – 2006-07 Student Activity Data Guidance**

Members noted the correspondence from the Funding Council.

#### **(iii) Circular 54/06 – Student Support Funds: 2005/06 Audit Guidance**

Members noted the correspondence from the Funding Council.

#### **(iv) Circular 55/06 – 2005/06 Data Return for Funding Purposes and Audit Guidance**

Members noted the correspondence from the Funding Council.

### **b) Scottish Executive – Building a Better Scotland – Securing Efficiency, Effectiveness and Productivity**

The Principal reported that this paper is being presented to this Committee for information purposes only.

He further reported that this report will be considered at the next scheduled meeting of the Joint Consultative Committee.

Members noted this document

**c) Audit Scotland**

**(i) Annual Report 2005/06**

The Principal reported that this paper is being presented to this Committee for information purposes only.

Members agreed to note the contents of the correspondence from the Auditor General.

**(ii) Public Sector Pension Schemes in Scotland**

The Principal informed members that the Strathclyde Pension Fund is currently a relatively healthy scheme.

When replying to questions A Kirk pointed out that the proposed changes to the accounting treatment of this Pension Fund, as approved by the Board, were currently being discussed with Audit Scotland as part of the external audit process.

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

**8. Baker Tilly Internal Audit Reports**

**(a) Internal Audit Annual Report – 2005/06**

D Cairney spoke to this report informing members of the main points of the internal audit report for the College for the period 1 August 2005 to 31 July 2006.

The Chair reminded members that this report follows the agreed format of previous reports which have been produced by Baker Tilly.

D Cairney informed members that the Internal Audit process had reviewed the high recommendations which had been carried over from previous years and that the majority of these had been discharged.

D Cairney reported that the College had taken steps to address the 4 (four) high recommendations detailed in page 5 of the report which had been identified during the course of Internal Audit activity conducted in academic/financial year 2005/06..

Members noted that the Baker Tilly report confirmed that the College had in place an adequate framework of controls for the systems which had been included within the scope of the Internal Audit activity which had taken place in 2005/06

Members of the Audit Committee agreed to note the contents of the Internal Audit Annual Report from Baker Tilly.

**(b) Internal Audit Needs Assessment – 2006/07**

The Chair informed members that this item would be discussed at the end of this meeting without College managers being present.

**9. European Funded Projects - On-the-Spot Verification**

The Depute Principal spoke to this report informing members that this report was previously discussed at the Board meeting held in March 2006 (appendix 1). The written report from the Verification and Compliance (VAC) team had now been received and contained two minor recommendations which have been accepted by the College. He further informed members that that the actions proposed by the College had been accepted by the VAC team.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendix; and
- (ii) note the outcome of the European Funds On-the-Spot verification visits.

**10. Audit Scotland Consultation – Study Programme 2006/08**

The Principal informed members of the consultation paper which describes the Future Study Programme which is proposed by Audit Scotland for 2006-08. He further informed members that there is no reference to specific measures related to Scotland's Colleges.

The Principal outlined Four (4) topics which are likely to impinge on the College these included:

- strategic procurement;
- workforce planning;
- sickness absence management; and
- shared service provision.

He reminded members that the Board's Audit Needs Assessment (ANA) for academic/financial 2005/06 had included both procurement and sickness absence management. He further reminded members that the College had already developed a means by which it planned future workforce requirements.

The Principal informed members that the Scottish Executive strategy document on Shared Services had previously been considered by the Board and that through the auspices of the Association of Scotland's Colleges the FE sector was preparing a response. The Principal also highlighted that the College had already taken steps to develop shared services by merging its library services with Glasgow City Council.

The Principal further informed members that the College response to the Audit Scotland consultation exercise indicated general support for the absence management and workforce planning 'cross-cutting' topics

however it opined that it was too soon to review either the new procurement guidance or shared services development in the public sector.

Members of the Audit Committee agreed to:

- (i) note the contents of the Principal's report and annex 1 (Audit Scotland's Study Programme for 2006/08); and
- (ii) note the College's response to the Deputy Auditor General.

## **11. Audit Action Plan – Progress Report**

J Gow informed members of the current progress against the High Grade Internal Audit recommendations contained in the Audit Action Plan. He further informed members that the Action Plan currently contained only one high grade recommendation.

He reported that the new procedures on the administration of the National Fee Waiver Scheme have been drafted and had been implemented from August 2005. J Gow further added that the new procedures were working well and have resulted in a significant improvement in the administration of fee waivers. He informed members that Baker Tilly reviewed Fee Waiver administration again in March 2006 and reported that as 5 (five) high grade recommendations were fully implemented this left one outstanding high grade recommendation which would be dealt with in the fee waiver audit report.

The Chief Finance Officer also reported that Baker Tilly undertook a review of Debt Collection procedures in November 2005 and raised 3 (three) new high grade recommendations. He informed members that these had been added to the Audit Action Plan and that appropriate action to address these recommendations had been fully implemented by the College. He also informed members that the following the review of the Tuition Fees and Charges system, in November 2006, one high grade recommendation had been identified. Action to discharge this recommendation had now been implemented.

Following discussion members of the Audit Committee agreed:

- (i) to note the contents of this report;
- (ii) that the College remove the 5 recommendations on the Fee Waiver System, reported as fully implemented by Baker Tilly, from the Audit Action Plan.
- (iii) that the College remove the 3 recommendations on the Tuition Fees and Charge System, reported as fully implemented by Baker Tilly, from the Audit Action Plan.
- (iv) that the College add the 1 new high grade recommendation on the Tuition Fees and Charge System reported by Baker Tilly to the Audit Action Plan; and
- (v) that the College add the 3 new high grade recommendations on Bad Debt Procedures reported by Baker Tilly to the Audit Action Plan.

## **12. Education Maintenance Allowance (EMA) Grant Claim 2005/06**

J Gow spoke to this report informing members of the contents of the EMA audit report for the year from 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2006. He reminded members that this audit was required to be conducted by the College External Auditors, Audit Scotland, as a condition of grant.

He informed members that that Audit Scotland had made two recommendations with regard to the operation of EMA scheme. These were:

- a) the need to ensure that 5% of students were sampled for accuracy checks ( the College had sampled 4.5% of students);and
- b) that spot checks were performed on unsuccessful applications.

The Chief Finance Officer reported that all the issues raised by Audit Scotland had been addressed.

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

## **13. Benchmarking of Audit Costs**

The Chief Finance Officer spoke to his report. He informed members that a detailed breakdown was included in appendix 1 which identified that on average of the 27 colleges sampled £13k was the average expenditure on internal audit fees. He also informed members that historically John Wheatley College spent significantly more than this amount. He warned members that as Annual Reports were the source of this information he could not be certain that any comparison was always on a like to like basis.

The Chief Finance Officer reported that College expenditure on External Audit fees was broadly in line with the sector average.

J Gow also reminded members that in addition there was an opportunity cost in terms of staff time required to prepare for audit activity.

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

## **14. Investors in People (IiP) Re-Recognition**

The Principal spoke to this report informing members of the outcome of the IiP audit conducted in June 2006. He also reminded members that this paper had been considered at the August Board meeting and had been referred to this Committee for further consideration.

He outlined the criteria in which organisations are assessed upon when they are undertaking an liP. He also reminded members that the auditor had highlighted a number of key strengths and areas of good practice.

The Principal reported that the College would not be pursuing liP enhanced accreditation as it did not believe that this process would enhance the quality framework. He also reminded members that the College working towards the British Standards Institute Environmental Management standard ISO14001.

Members of the Audit Committee agreed to:

- (i) note the contents of this report and its appendices;
- (ii) note that the College has achieved Investors in People recognition for a period of three years; and
- (iii) request the Assistant Principal to place copies of this report on the agendas of future meetings of the Personnel and Staffing and the Joint Consultative Committees.

#### **15. Audit Scotland – Technical Bulletin June 2006/08**

I Graham informed members that information on FE commenced on page 42. He highlighted that considerable emphasis would be placed by external auditors on governance issues within colleges.

The chair commented that since the bulk of the bulletin was concerned with the work of the NHS and local government this had limited impact on the work of the College.

Members formally noted the Technical Bulletin.

#### **16 Other Matters**

- a) The Chair referred to his attendance at a recent workshop for Audit Committees run by ASC, where it had been recommended that a review of the Risk Register be an agenda item for Audit Committee meetings, along the lines of the guidance contained in “On Board”

The Depute Principal reminded members that the risk register was reviewed by all Standing Committees as part of the College planning process and approved at the Board meeting held in June of each academic year. He also reminded members that the Risk Register was included as part of the College Plan as a matter of routine.

The Principal further informed members that the New Campus Risk Register is reviewed monthly by the Project Management Group.

Following discussion it was agreed that senior managers would consider further the question of including the College Risk Register as a matter of routine on the agenda of the Audit Committee as they felt responsibility for the review of this document had not been delegated by the Board to this Committee.

- b) The Chair requested that the Committee review at each meeting a report detailing the progress made against the Committee self evaluation action plan.
- c) The chair asked for clarification regarding the fee proposals from Baker Tilly.

Management believed that confirmation had already been sent to Baker Tilly but D Cairney was less certain and agreed to raise this matter with M Blyth

**The Principal left the meeting at this point (1.15pm)**

- d) A brief discussion took place about the skills of Board members on the committee. Members recognised that the Board had identified the need to recruit new members with appropriate financial experience when it had advertised for new members
- e) The Chair asked members of management whether there were any particular areas they wished to have considered when the committee considered the Audit Need Assessment. The Depute Principal confirmed that management had already had an opportunity to cover such matters during informal discussions with Baker Tilly.

The Chair also noted that the committee would be identifying, for separate review, the report on the problems encountered at Inverness College. This review would be undertaken following the discussion at a recent Board meeting, when the Board expressed a wish that the Audit Committee seek re-assurance that no such problems existed at John Wheatley College.

**Members of the College's management team left at the meeting at this point 1.20pm. S Wilkie remained for recording purposes only.**

**8(b) Audit Needs Assessment 2005/06**

D Cairney informed members that this report sets out recommendations regarding the number of man-days of internal audit required by the College based on their initial assessment of risk. He confirmed that this requires to be discussed by this Committee and flexed either up or down to meet the perceived requirements of the Board in meeting their responsibilities.

The Chair informed members of the grades associated with risk assessment; these were identified as being low, medium and high. He gave a brief definition of each.

Members discussed the allocation of days for value for money, it was agreed that, if appropriate, two (2) of the days that are allocated could be used in other areas.

Members discussed the events surrounding corporate governance matters at Inverness College recalling the recent discussion at a Board

meeting and the desire of the Board for re- assurance that no similar problems existed at John Wheatley College.

The Chair expressed his concern that Payroll was not being audited until year 3. D Cairney replied that payroll had been reviewed every year for the past 3 years and that as there were no major areas of concern it was more appropriate to review other areas of College activity.

D O'Brien replied that Payroll accounted for 70% of the total expenditure and he felt uneasy about not looking at it until year 3. D Cairney agreed to discuss this with M Blyth.

The Chair asked in these circumstances whether the risk analysis for Payroll should still remain as High and requested that Baker Tilly review this grade.

D O'Brien asked whether IT Systems were audited last year. D Cairney replied yes.

The Chair requested that an updated report be brought back to the next Committee meeting following a discussion with Mike Blyth.

Members had a brief discussion about follow-up visits by Baker Tilly.

The Chair requested that D Cairney have a discussion with M Blyth regarding the annual audit plan following the comments made by members. Following this conversation it was agreed that D Cairney would contact the Chair to provide him with an updated report.

## **16. Closure**

The meeting closed at 2.15pm with the Chair thanking all members for their contribution.

## **17. Date of Next Meeting**

The date of the next meeting of the Audit Committee is scheduled to be held on 4 December 2006.