

CITY OF WOLVERHAMPTON COLLEGE

Minutes of the meeting of the Audit Committee of the Board of Governors held
on Wednesday 3 December 2008 at 3.30pm in Room 255, Wellington Road

PRESENT

Mr D Swingwood (Chair) Dr M Hardacre
Ms R Bansal Mr R Williams

Ms S Meddings (Clerk)

IN ATTENDANCE

Mr M Rowley (KPMG)
Mr P Polowyj
Ms L Tweedie (Bentley Jennison)

APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr B Moore. Mr R Williams sent notice of late arrival.

26/08 MINUTES OF THE PREVIOUS MEETING – 3 JULY 2008

Resolved:

That the minutes of the previous meeting held on 3 July 2008 be approved as a correct record.

27/08 EXTERNAL AUDITORS' MEMORANDUM AND MANAGEMENT LETTER 2007/08

Governors noted the external auditors' management report on findings related to the financial statements of the College for the year ended 31 July 2008 and the main observations and recommendations arising from the financial statements audit and the regularity audit.

The management letter confirmed that the auditors' "work was substantially complete and that they anticipated issuing unqualified opinions on both the financial statements and regularity".

Mr M Rowley reported that this year there had been a smooth audit process with both the financial statements and the regularity audit.

Governors considered the observations arising from the financial statements audit together with the recommendations and the management responses in the following key areas:

- Financial management and monitoring

- Credit control

It was reported that the College had responded positively to the recommendations.

In respect of the Income and expenditure account, it was noted that the College's trading position has deteriorated compared to 2006/07 with a deficit of £594,000 in 2007/08 compared to a surplus of £143,000 in 2006/07.

It was noted however, that following discussions at the Estates and Finance Committee on 29 September 2008 and the Board meeting on 20 October 2008, the College was currently working on a larger planned surplus for 2008/09 than originally proposed at the July 2008 Board meeting. An update on the in year budget would be reported at the Board meeting on 15 December 2008.

In response to a question around timescales, it was reported that the LSC would expect colleges not to return more than two years of deficit, in line with banking covenants on the loan.

In receiving the report, the Committee further discussed the impact of the current economic climate on the FE sector in the context of threats and opportunities.

Mr M Rowley left the meeting.

28/08 INTERNAL AUDIT ANNUAL REPORT 2007/08

Ms L Tweedie presented the annual report of the internal audit service to the College for 2007/08. Governors noted the following statement of overall assurance and Audit opinion:

“We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of City of Wolverhampton College's risk management, control and governance processes

In our opinion, for the 12 months ended 31 July 2008 the City of Wolverhampton College:

- has adequate and effective risk management processes;
- has adequate and effective control processes; and
- has adequate and effective governance processes

to manage the achievement of the organisation's objectives.”

It was reported that the College's level of substantial assurance for 2007/08 was 72% and that Operational assurance was judged to be good.

In noting that the annual report was a “clean opinion and good outcome” the Committee thanked Paul Polowyj and his team for the work undertaken in producing this outcome and requested that the Committee's thanks be conveyed to the whole team.

29/08 INTERNAL AUDIT REPORTS 2007/08 AND 2008/09

Internal Audit reports 2007/08

Ms L Tweedie presented the following 2 internal audit reports undertaken during 2007/08 to the Committee for consideration:

Partnerships – Train to Gain
Network management review

It was noted that both reports received adequate assurance.

Internal Audit reports 2008/09

Ms L Tweedie presented 2 Internal Audit reports undertaken during the current academic year to the Committee, commencing with a summary progress report on work completed on the operational plan. It was noted that the operational plan was on track.

The following reports were presented for consideration by Governors:

Governance
Financial support for students

It was noted that the report on Governance received substantial assurance with no recommendations made.

The report on Financial support for students also received substantial assurance. It was explained that the College's financial support for students includes Learner support funds, Education Maintenance allowances and Adult Learning Grants and that the review found that the College operated an effective system of Financial support.

Ms L Tweedie left the meeting.

30/08 ANNUAL ACCOUNTS 2007/08

The Audit Committee received the draft Annual Accounts 2007/08, prior to their presentation for approval at the Board of Governors on 15 December 2008.

It was explained that the Accounts were presented to the Audit Committee to inform the Committee's review of the management letter of the financial statements auditor and consideration of the statement of corporate governance (including assurance that the College has spent its funds with propriety and regularity), with the objective of recommending their approval to the Board of Governors.

This was in addition to the established review of the draft accounts undertaken by the Estates and Finance Committee on 1 December 2008.

Resolved:

That the Audit Committee recommends to the Board of Governors that the annual accounts for 2007/08 be approved.

31/08 FRAMEWORK FOR EXCELLENCE – LSC’S FINANCIAL MANAGEMENT AND CONTROL EVALUATION

The Committee received the College’s completed Financial Management and Control (FMCE) self assessment document and noted the following:

The FMCE self assessment document is an integral part of the Finance Dimension of the LSC’s newly introduced Framework for Excellence and will contribute to the Framework for Excellence grades.

Aside from its use for Framework for Excellence purposes, the results of the self-assessment process, once validated, will become a key source of assurance to the LSC in respect of providers’ financial management and control arrangements.

The LSC expects college audit committees to review and recommend approval of the completed FMCE document for sign off by the Principal and submission to the LSC by 12 December 2008.

In considering the College’s completed FMCE document, the Committee noted that the College has self-assessed the overall financial management and control grade as “Good”.

Resolved:

That the Audit Committee has reviewed the College’s completed Financial Management Control Evaluation self-assessment and recommends approval of the document for sign off by the Principal.

32/08 ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF GOVERNORS 2007/08

Governors considered a draft of the annual report of the Audit Committee to the Board of Governors for 2007/08 which is a requirement of the Audit Code of Practice. It was noted that the structure and content of the draft report reflects the guidance from Circular 03/04 and therefore includes a summary of the main findings of the annual report of the Internal Audit Service and the Management Letter of the external auditors on both the Financial Statements and the Regularity Audit.

The 2007/08 report also included a summary of the LSC’s PFA reviews reported to Committee during 2007/08, the LSC’s opinion on the effectiveness of the College’s financial management and governance frameworks (undertaken in parallel with the Ofsted inspection in December 2007) and the overall self-assessed grade for the financial management and control evaluation which contributes to the College’s Framework for Excellence grade.

The Committee further noted the opinion of the internal auditors’ review of risk management, reported to the Audit Committee on 3 July 2008, that “the College’s control framework provides substantial assurance that risks material to the achievement of the organisation’s objectives are adequately managed and controlled”.

Resolved:

That the annual report of the Audit Committee for 2007/08 be approved and submitted to the Board of Governors on 15 December 2008

33/08 ANNUAL ASSESSMENT OF RISK MANAGEMENT FRAMEWORK

Governors considered a report on the annual assessment of the College's Risk Management Framework in the context of the Audit Committee's responsibility to assess whether the risk management framework provides assurance that risks are managed and controlled appropriately.

In receiving the report, the Committee noted the following:

- The College was currently undertaking a review, in conjunction with Governors, of the College's medium term strategic objectives and the Development Plan that underpins those objectives;
- At sector wide level, there are ongoing challenges around the funding framework;
- Within 2008/09 the College is actively assessing threats and opportunities which will lead to a review and update of the College's risk framework and risk register.

Resolved:

That the view of the Audit committee is that the current Risk Management Framework provides assurance that key issues are managed appropriately.

34/08 LSC'S PFA AUDIT OF TRAIN TO GAIN

The Committee received the LSC's PFA report on the College's Train to Gain activity which was undertaken in August 2008 and were pleased to note that the report confirmed that there were no issues of concern or financial penalty.

In addition, the LSC PFA team stated that "the action that you have taken to put in place the agreed recommendations that we made in our last report dated January 2008 have been satisfactory".

The Committee congratulated the College on the report outcomes, particularly in the context of the outcomes of the previous year's report (undertaken in summer 2007) which had been of concern to the Committee, i.e. the issue of retrospective application of guidance by LSC auditors and subsequent contract adjustment across the consortium.

35/08 INTERNAL AUDIT RECOMMENDATIONS – IMPLEMENTATION PROGRESS REPORT

The Committee received a summary of progress on the implementation of internal audit recommendations reported during the 2006/07 and 2007/08 academic years.

It was reported that of a total of 38 internal audit recommendations reported during 2006/07, 3 were currently outstanding. Of the 3 outstanding recommendations, 2 would be implemented as part of the current review of the College's five year Strategic direction and one would be implemented in the Spring term 2009.

In respect of the recommendations arising from internal audit reviews reported during 2007/08, it was reported that a total of 33 recommendations were reported of which 3 were currently outstanding.

36/08 CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING – 3 JULY 2008

Resolved:

That the confidential minutes of the previous meeting held on 3 July 2008 be approved as a correct record.