

CITY OF WOLVERHAMPTON COLLEGE

Minutes of the meeting of the Audit Committee of the Board of Governors held
on Wednesday 2 December 2009 at 3.30pm in Room 255, Wellington Road

PRESENT

Mr D Swingwood (Chair) Ms K Douglas
Ms R Bansal Mr B Moore

Ms S Meddings (Clerk)

IN ATTENDANCE

Ms A Buick (RSM Bentley Jennison)
Mr I Millard
Ms E Payne
Mr P Polowyj
Mr M Rowley (KPMG)

In commencing the meeting the Chair welcomed Ms Karan Douglas to her first Audit Committee meeting.

APOLOGIES FOR ABSENCE

Apologies for absence were received from Dr M Hardacre.

13/09 MINUTES OF THE PREVIOUS MEETING – 8 JULY 2009

Resolved:

That the minutes of the previous meeting held on 3 July 2009 be approved as a correct record.

14/09 CORRESPONDENCE

The Committee noted correspondence dated 16 November 2009 from the LSC notifying the College that the requirement for an interim regularity audit opinion for the period ending July 2010 has been discontinued.

15/09 FINANCIAL STATEMENTS AUDITORS' MEMORANDUM AND MANAGEMENT LETTER 2008/09

Governors noted the external auditors' management report on findings related to the financial statements of the College for the year ended 31 July 2009 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 largely complete and that they anticipated issuing unqualified audit opinions for the

year ended 31 July 2009, following the approval of the accounts at the Corporation”.

The following were the principal matters outstanding:

- Review of the final version of the financial statements incorporating the impact of the agreed adjustments and the resolution of the items listed below:
- Clarification of the College’s position regarding compliance with bank loan covenants
- Completion of work relating to the recoverability of significant debtor balances at 31 July 2009;
- Completion of post balance sheet events review;
- Receipt of management representation letter approved by the Board of Governors alongside the approval of the financial statements on 14 December 2009.

In respect of the Income and expenditure account, it was noted that the College’s trading position for 2008/09 has improved compared to 2007/08 with a surplus of £17,000 compared to a deficit of £830,000 in 2007/08.

The main movements on the College’s balance sheet were:

- An increase of £4.4m in fixed assets, which reflects the capital developments at Wellington Road;
- The increase of almost £0.8m in debtors
- The College’s cash position has deteriorated compared to the previous year. Cashflow and financing management would be critical over the coming year.
- The FRS17 pension liability has remained substantially unchanged from last year.

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

- Credit control, cash collection and bad debt provisioning policy
- Financial management and monitoring in the context of the changing environment
- Formal monitoring of banking covenants

The Committee gave detailed consideration to the observations and recommendations on credit control, cash collection and bad debt and spent some time discussing the issues around the significant debt from four of the College’s main partners.

The Committee agreed that contingency days from the Internal Audit programme for 2009/10 should be used to review and focus on credit control, cash collection and bad debt.

The Committee further requested that a progress report should be submitted to the next meeting of the Audit Committee in March 2010.

16/09 FUNDING AUDIT REVIEW – KPMG

The Committee noted the outcome of the Funding Audit review undertaken by KPMG on the 2008/09 Youth and Adult Responsiveness contracts in November 2009.

It was reported that the College was notified in October 2009 that it was one of 75 from the FE sector that had been earmarked to undergo an audit visit on the student records data that underpinned the Youth (£12.766m) and Adult (£10.027m) responsiveness contracts with the LSC for 2008/09.

It was noted that the closure of the Annual Accounts was predicated on the outcomes and findings of the visit, which were completed for the LSC return date of 23 November 2009. The Annual Accounts could not therefore be 'signed off' until the week beginning the 23 November 2009.

It was reported that whilst the formal notification of the outcome from the LSC was yet to be received by the college (and KPMG for the Annual Accounts sign off) the KPMG auditors that undertook this work (on behalf of the LSC) have confirmed that their review is complete, and the return forwarded to the LSC by 23 November 2009 provided assurance that no clawback of funds would be required.

17/09 LSC PROVIDER FINANCIAL ASSURANCE (PFA) AUDITS

The Committee noted the outcome of the audits undertaken by the Provider Financial Assurance (PFA) team in November 2009, relating to the 2008/09 academic year.

It was reported that The College was notified in late October 2009 by the LSC PFA audit team that it was to be visited in November to review the following areas of activity:

Train to Gain	contract value £4.022m (consortia)
Apprentices	contract value £2.520m
E2E	contract value £697k

The visit was to coincide with the conclusion of two other audits that had been started by this team in September 2009 on:

NEETS	contract value (in year) £260,000
Sport 2012	contract value £1.8m over 18 months

The PFA team completed their on site work on 27 November 2009. The PFA audit representative said that the visit was 'good and consistent with what they would expect from a low risk provider'.

The Committee's attention was drawn to the fact that during November 2009 the combination of the KPMG review on the Youth and Adult Responsiveness work, and the PFA review of the Employer Responsiveness work meant that the College was audited on £25.3m of activity (over seven delivery areas with different rules for each area) representing 75% of the total value of all contracts with the LSC in 2008/09, or 65% of the total turnover of the College.

The Committee were pleased to note that no significant issues arose from the reviews.

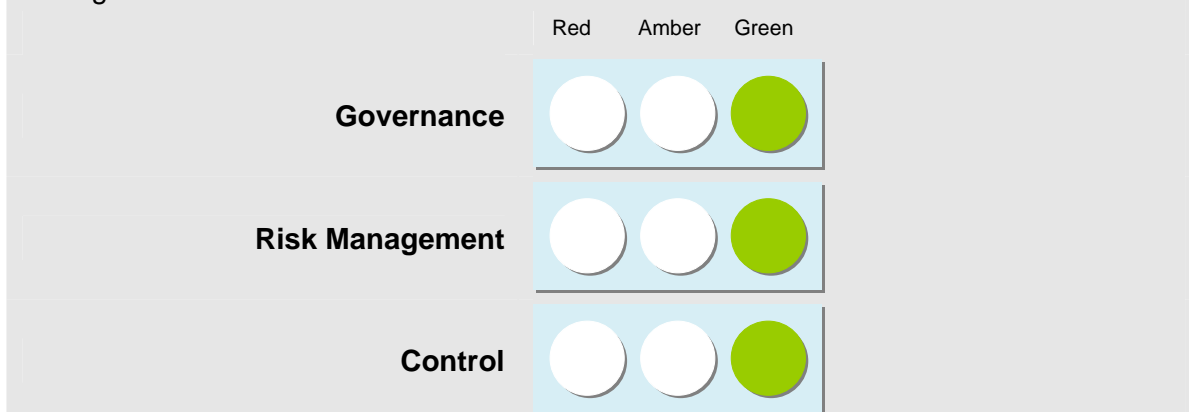
18/09 INTERNAL AUDIT ANNUAL REPORT 2008/09

Ms A Buick presented the annual report of the internal audit service to the College for 2008/09.

Governors noted the following statement of overall assurance and Audit opinion, which for 2008/09 was in a “red amber green” format:

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of City of Wolverhampton College’s arrangements.

For the 12 months ended 31 July 2009, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of City of Wolverhampton College’s arrangements is as follows:



Ms Buick further drew the Committee’s attention to the Internal Audit Assurance Map 2008/09 (a summary of the internal audit reviews undertaken in 2008/09 and the outcomes) and the College’s operational assurances.

In noting that the internal audit review of the College’s key financial controls had received substantial assurance, Mr B Moore queried this assurance level in the context of the discussions on the College’s debtors during consideration of KPMG’s management letter.

Ms Buick reported that at the time of finalising the report, KPMG’s management letter had not been published and that Bentley Jennison reserved the right to amend the annual opinion as a result of the final Regularity Audit Opinion and the External Auditor’s Management letter, once issued.

19/09 DRAFT ANNUAL ACCOUNTS 2008/09

The Audit Committee received the draft Annual Accounts 2008/09, prior to their presentation for approval at the Board of Governors on 14 December 2009.

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 Resources Committee on 30 November 2009.

It was noted that the draft Accounts would be updated again to incorporate movement on or resolution of the outstanding matters before submission to the Board of Governors on 14 December 2009.

20/09 ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF GOVERNORS 2008/09

Governors considered a draft of the annual report of the Audit Committee to the Board of Governors for 2008/09 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 2008/09 report also included the summary outcome of the LSC's PFA review of the College's Train to Gain activity undertaken in the summer of 2008.

In considering the structure and contents of the annual report, the Committee were requested to review the College's Financial Management and Control Evaluation return and action plan for 2009 and to note the overall self-assessed grade of "good". The Committee agreed to recommend approval of the FMCE return to the Board of Governors on 14 December 2009 for submission to the LSC.

The Committee further noted the outcome of the internal auditors' advisory review of the College's level of risk maturity, which identified that "risk management strategy and policies are in place and communicated across the organisation".

Resolved:

That the annual report of the Audit Committee for 2008/98 be approved and submitted to the Board of Governors on 14 December 2009.

21/09 ANNUAL ASSESSMENT OF RISK MANAGEMENT FRAMEWORK

The Committee noted 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 an overview of the existing Risk Framework together with the following two areas for further development:

- Understanding the implications of the arrangements post April 2010

- The requirement for departmental risk registers to be developed and embedded

22/09 INTERNAL AUDIT REPORTS

Ms A Buick presented the summary progress report on work completed on the 2009/10 Internal audit operational plan. It was noted that the operational plan was on track but in the context of earlier discussion at Committee it was agreed that the scope of the key financial controls review scheduled for January 2010 would be revisited with a focus on debtors and that the contingency days would be allocated to this review should the additional time be necessary.

The Committee noted the outcome of the advisory review on the College's level of risk maturity which was finalised in August 2009. It was reported that the assessment of the College's position on the risk maturity spectrum was "risk defined" which means that "risk management strategy and policies are in place and communicated across the organisation".

Ms Buick reported that the review had been part of a thematic review and that risk maturity benchmark report would be available for submission to the next Audit Committee. The Principal suggested that it would be useful to benchmark against colleges considered to be "outstanding".

23/09 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, 2007/08 and 2008/09 academic years.

It was reported that a total of 38 internal audit recommendations had been reported during 2006/07 and all had been implemented.

In respect of 2007/08, a total of 33 internal audit recommendations had been reported of which 3 were outstanding but in progress.

In respect of 2008/09, of the 36 recommendations reported to the Audit Committee, 28 had been implemented. Of the 8 outstanding recommendations, 5 were in progress.

24/09 CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING – 8 JULY 2009

Resolved:

That the confidential minutes of the previous meeting held on 8 July 2009 be approved as a correct record.