

CITY OF WOLVERHAMPTON COLLEGE

Minutes of the meeting of the Audit Committee of the Board of Governors held
on Wednesday 17 March 2010 at 3.30pm in Room 255, Wellington Road

PRESENT

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

Ms S Meddings (Clerk)

IN ATTENDANCE

Mr A Armstrong (for agenda item 4)
Ms A Buick (RSM Tenon)
Ms E Payne
Mr P Polowyj
Mr J Whybrow (KPMG)

In commencing the meeting the Chair welcomed Ms Michaela Hunt, the newly appointed student governor, to her first Audit Committee meeting. Mr Swingwood also welcomed Mr James Whybrow from KPMG and Mr Andy Armstrong, the College's Director of Information Services and Customer Services, in attendance for agenda item 4.

APOLOGIES FOR ABSENCE

Apologies for absence were received from Dr M Hardacre.

01/10 MINUTES OF THE PREVIOUS MEETING – 2 DECEMBER 2010

Resolved:

That the minutes of the previous meeting held on 2 December 2010 be approved as a correct record.

02/10 MATTERS ARISING

Arising on Minute No 15/09, where it was minuted that the Committee had agreed that contingency days from the Internal Audit programme should be used to review credit control, cash collection and bad debt, Ms Buick reported that a review of these areas had been undertaken in the key financial controls audit and that there were therefore 5 contingency days still unused.

It was agreed that Ms Buick would review the allocation of the contingency days with Mr P Polowyj.

03/10 CORRESPONDENCE

The Committee noted correspondence dated 8 March 2010 from the LSC

informing the College that the LSC had received a copy of the College's audited financial statements for 2008/09, had assessed the College's financial health as "satisfactory" and requested an update on the actions taken by the College to implement a number of outstanding recommendations made in the financial statements auditor's management letter.

The letter further informed the College that the LSC concurred with the College's self assessment of its overall Financial Management and Control Evaluation grade as "Good".

04/10 2008/09 LEARNER NUMBER RESPONSIVENESS – KPMG AUDIT REPORT

The Chair introduced the next two agenda items by reminding members that the outcomes of the reviews undertaken by KPMG and the LSC PFA team were reported to the previous meeting of the Audit Committee on 2 December 2009, but that at that stage the final reports had not been received by the College. The outcomes of the two reviews were reported at Minutes No 16/09 and 17/09.

The Committee received the formal notification of the outcome of the KPMG audit of the College's learner numbers for 2008/09, which was undertaken in November 2009. The audit related to the student records data that underpinned the College's youth and adult responsiveness contracts which totalled £12.766m and £10.027m, contributing 60% of College income.

Mr J Whybrow from KPMG presented the report and gave a detailed explanation of the background to the process, the process itself and the key outcomes.

It was reported that of a total funding of £9.5m, there was an adjustment of only £20,000 which Mr Whybrow reported as an "outstanding" result. Mr Whybrow complimented Mr Armstrong and his team on providing information for the audit which was clear, accurate and signposted.

The Committee agreed that a Vote of Thanks should be recorded to Mr Armstrong and his team for their excellent work.

In thanking Mr Whybrow for his presentation, the Chair asked whether there was likely to be a re-occurrence of the student records audit.

Mr Whybrow responded that it would probably form part of a three year cycle. Given that the sector was currently 14 days away from the handover to the new funding bodies (i.e. SFA and YPLA), nothing was clear at this stage about the future audit regime for FE colleges.

The Committee agreed that there should be an update on the audit "landscape" at the next Audit Committee meeting on 12 May 2010.

In response to a question about the financial implications for underachievement of the Adult contract, it was clarified that there was no tolerance level on clawback in 2009/10. Mr Polowyj explained that newly introduced in December 2009 was the requirement that should the College underachieve on the Adult contract for 2009/10, repayment for the

underachievement for 2009/10 and for 2008/09 activity below 100% of contract would be required.

Mr A Armstrong left the meeting.

05/10 2008/09 PROVIDER FINANCIAL ASSURANCE (PFA) REPORTS

The Committee received the two reports from the LSC's PFA team reviews of the following areas of activity:

Train to Gain, Apprentices, E2E
NEETS, Sport 2012

It was reported that the reviews had been undertaken in November 2009 with the outcomes reported to the Audit Committee at its previous meeting on 2 December 2009.

The formal reports confirmed that of a total of £9.837m of contracted activity, a repayment of £434 was required of the College.

The Committee agreed that a Vote of Thanks should be recorded to Mr Graham Taylor and Ms Glynis Partis and their colleagues for the excellent outcome.

06/10 INTERNAL AUDIT REPORTS – 2009/10

Ms A Buick from RSM Tenon presented 6 Internal Audit reports to the Committee, commencing with a summary progress report on work completed on the Internal Audit operational plan. It was noted that delivery against the operational plan was on track.

The following internal audit reports were presented for consideration by the Committee:

- Business planning
- Quality – improvement planning
- IT Disaster recovery
- Framework for compliance – Every child matters
- Key financial controls
- Learner number systems – learner eligibility and existence

The Committee was pleased to note that the reports on Business Planning, Quality, Every Child Matters, Key Financial Controls and Learner Number Systems all received substantial assurance and that there were no recommendations at all arising from the review of Every Child Matters.

The IT Disaster recovery report received adequate assurance. One recommendation categorised as "significant" was made which related to testing of back up recovery procedures and standby facilities under a disaster scenario. The implication for the College was that failure to regularly test the back up and standby facilities provided an increased risk that procedures or media would not work as expected and would impact on the College's ability to recover systems and services within an acceptable time should a live event occur.

Following a question from the Chair as to what action had been taken to respond to the auditors' recommendation, it was reported that the College's Director of IT would be charged with ensuring that the system was tested, i.e. closed down and started up again with independent verification that the testing had been successful.

The Committee endorsed this approach.

07/10 INTERNAL AUDIT RECOMMENDATIONS – IMPLEMENTATION PROGRESS REPORT

The Committee received a summary of progress on the implementation of internal audit recommendations reported during the 2007/08, 2008/09 and 2009/10 academic years.

It was reported that a total of 33 internal audit recommendations had been reported during 2007/08 of which 2 were outstanding but in progress.

In respect of 2008/09, of the 36 recommendations reported to the Audit Committee, 31 had been implemented. Of the 5 outstanding recommendations, 4 were in progress.

In respect of 2009/10, 3 recommendations were reported to the Audit Committee in December 2009. All 3 were yet to be implemented but 2 were in progress.

08/10 UPDATE ON DEBTORS – AND REFLECTION ON ISSUES FROM 2008/09 KPMG MANAGEMENT LETTER

The Committee received a progress report on the College's debtors balances, requested by the Committee at its meeting on 2 December 2009 and arising from discussions on KPMG's management letter received at that meeting and the concerns raised by KPMG about specific dated balances.

Attached to the progress report was a copy of the report submitted to the Resources Committee on 15 March 2010 which confirmed the progress made on debtors balances at February 2010.

It was noted that the overall balance has reduced by £987,044, i.e. from £1,493,226 at September 2009 to £506,182 at February 2010.

In respect of the dated balances that KPMG raised issues about in signing off the 2008/09 annual accounts, it was noted that all have been cleared but for the University figure of £213,000. It was reported that a number of meetings have been held to seek resolution of this dated balance and that the key message was that the dated balances were being actively managed with a view to clearing them from the balance sheet by year end.