

CITY OF WOLVERHAMPTON COLLEGE

**Minutes of the meeting of the Audit Committee of the Board of Governors held
on Wednesday 1 December 2010 at 3.30pm in Room 255, Wellington Road**

PRESENT

Mr D Swingwood (Chair) Dr M Hardacre
Ms K Douglas Ms M Hunt

Ms S Meddings (Clerk)

IN ATTENDANCE

Mr P Green (RSM Tenon)
Mr I Millard
Mr P Oxtoby (Baker Tilly)
Ms E Payne
Mr P Polowyj

The Chair welcomed Mr Paul Oxtoby from Baker Tilly and requested colleagues to introduce themselves.

APOLOGIES FOR ABSENCE

Apologies for absence were received from Ms R Bansal and Mr B Moore.

17/10 MINUTES OF THE PREVIOUS MEETING – 7 JULY 2010

Resolved:

That the minutes of the previous meeting held on 7 July 2010 be approved as a correct record.

**18/10 EXTERNAL AUDIT SERVICE ANNUAL AUDIT FINDINGS REPORT –
2009/10**

Governors received a presentation from Mr P Oxtoby on the external auditors' annual report for the year ended 31 July 2010 and the summary of key findings in connection with the regularity audit and the audit of the College's financial statements.

It was noted that the report identified a number of matters to be completed before the report could be finalised, which included:

- Final bad debt provision review by Baker Tilly
- College to provide evidence of final reward money due for Baker Tilly to review.

It was reported that both these matters had now been completed.

The Committee noted the following key areas of audit focus identified during the planning stage and reviewed during the audit:

- Staff Costs
- Funding (Learner Responsive)
- Accommodation Strategy
- Regularity Review
- FRS17

The Committee further noted a number of audit and accounting issues identified during the audit. Of note was the recommendation from the auditors on taxation that the College reviews the nursery income and other potentially commercial revenue streams to identify what amount of revenue was generated from users external to the College. The audit had found that the income derived from the nursery had exceeded the £50k exemption limit from HMRC for non-charitable income and there was therefore a risk that corporation tax might be due.

In respect of the 2009/10 financial statements, it was noted that the College returned a historical cost surplus of £679,000.

In 2008/09, the College returned an operating deficit of £33,000 (excluding staff restructuring and FRS17) whilst in 2007/08 a deficit of £831,000 was returned. There has therefore been an improvement of £1,510,000 between 2007/08 and 2009/10.

The External Auditor's statements of opinion on both the financial statements and the regularity audit (included in the Annual Accounts) confirmed that:

“The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2010”;

“In all material respects the expenditure disbursed and income received during the year ended 31 July 2010 have been applied to purposes intended by Parliament”.

The Committee considered the observations on internal control matters arising from the audit together with the recommendations and the management responses in the following areas:

- Learner support funds
- Fixed asset register
- Controls over contracting
- Student ledger control

In response to the Chair asking for any comments from the College's Internal Audit Service, Mr P Green emphasised that in the context of the current (and future) economic and funding climate the College could not afford a mediocre risk management system and that Governors would need to know that the College's risk management framework was robust.

A considerable amount of discussion and debate arose on how best to ensure this. The discussion included:

- The respective responsibilities for Risk of the Resources Committee and the Audit Committee
- How risk was reported to the Board and linked to Strategic Planning
- The restructure of the College's Risk Management Framework for 2010/11 which identified three sub-categories of risk – Strategic, Operational and Financial.
- The advisory role of the College's Auditors.

The Committee agreed that the College should take this forward with input from the Internal Audit Service.










19/10 INTERNAL AUDIT SERVICE ANNUAL REPORT - 2009/10

Ms P Green presented the annual report of the internal audit service to the College for 2009/10.

Governors noted the following statement of overall assurance and Audit opinion, which for 2009/10 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. Our annual opinion represents a clean Internal Audit opinion for 2009/10.

For the 12 months ended 31 July 2010, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of City of Wolverhampton College's governance, risk management and control arrangements is as follows:

	Red	Amber	Green	
Governance				Has adequate and effective governance processes.
Risk Management				Has adequate and effective risk management processes.
Control				Has adequate and effective control processes.

20/10 ANNUAL ACCOUNTS 2009/10

The Audit Committee received the draft Annual Accounts 2009/10, prior to their presentation for approval at the Board of Governors on 13 December 2010.

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 annual accounts by the Resources Committee undertaken on 29 November 2010.

21/10 ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF GOVERNORS 2009/10

Governors considered a draft of the annual report of the Audit Committee to the Board of Governors for 2009/10 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 annual audit findings report of the External Auditors.

The 2009/10 report also included summary outcomes of PFA reviews undertaken during 2009/10 and the outcome of the Funding Audit review undertaken by KPMG in November 2009.

In considering the contents of the annual report, the Committee were requested to review the College's Financial Management and Control Evaluation return and action plan covering the period 1 August 2009 to 31 July 2010 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 13 December 2010.

Resolved:

- i) That the annual report of the Audit Committee for 2009/10 be approved and submitted to the Board of Governors on 13 December 2010.**
- ii) That the Audit Committee recommends to the Board of Governors the approval of the College's Financial Management and Control Evaluation return for sign off by the Principal for submission to the SFA.**

22/10 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 and to advise the Board of Governors accordingly.

In receiving the report, the Committee noted that for 2010/11 the College has developed a Risk Framework that has three sub categories, namely:

Strategic Risks
Operational Risks
Financial Risks.

It was reported that it was the intention, on a termly basis, to include the three risk registers as part of the Strategic Planning report to the Board of Governors.

In addition, the Resources Committee, in the context of that Committee's responsibility for oversight of the Framework, would receive updates of the three risk registers at all future meetings.

It was further reported that the Resources Committee had recommended, at its meeting on 29 November 2010, that an additional risk should be added to the Strategic Risk Register: Risk relating to mergers, collaboration and shared services.

23/10 INTERNAL AUDIT REPORTS

The following Internal Audit reports were presented for the Committee's consideration:

Train to Gain – Follow up
Mobile Computing Review

In respect of the Train to Gain Follow up review the Committee noted that reasonable progress in implementing actions agreed had been made.

In respect of the audit of Mobile Computing the Committee noted that this was a new area of audit review, the objective of which, was to ensure that the use of mobile computing equipment and portable /removable media in use at the College did not compromise the overall security and integrity of the network infrastructure.

It was noted that Governors could take some assurance that the controls upon which the College relies to manage this were suitably designed, consistently applied and effective but that actions needed to be taken to ensure that risks were managed.

24/10 PROVIDER FINANCIAL ASSURANCE UPDATE – REVIEWS ON INSPIRATION 2010 & ESF TRAIN TO GAIN

The Committee noted an update on two PFA reviews undertaken in July 2010, Inspiration 2010 (contract value £1.750m) and the ESF Train to Gain project (contract value £1.693m).

In respect of Inspiration 2010, the Committee received a copy of the final report and noted that outcome of the review was a repayment by the College of £265.

It was reported that the ESF Train to Gain review was not yet finalised given that a further visit by the PFA Team had been scheduled for the end of November (and was currently underway).

The Vice Principal Resources assured the Audit Committee that no issues were emerging from the review which would be a cause for concern.

**25/10 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, a total of 36 internal audit recommendations had been reported of which 2 were outstanding but in progress.

In respect of 2009/10, of the 38 recommendations reported to the Audit Committee, 21 had been implemented. Of the 17 outstanding recommendations, 16 were in progress.

In receiving the report, the Committee focused on the 2 outstanding recommendations from 2007/08 which related to procurement and noted that one was partially implemented and near conclusion.

26/10 CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING – 7 JULY 2010

Resolved:

That the confidential minutes of the previous meeting held on 7 July 2010 be approved as a correct record.