

STAFFORD COLLEGE CORPORATION

**MINUTES of  
AUDIT COMMITTEE, 16 NOVEMBER 2010**

Present: M R Bagguley (Chair), Mrs J Deaville, I Mason, P Slater, Mrs V Woodward

In Attendance: J P Charleton (Clerk), Mrs A Buick (RSM Tenon), M Dawson (KPMG),  
I Rigby

Apologies: H Duggal, L Glover, Ms A Piercy, G Taylor-Marshall, S Willis

**PART I**

619.0 DECLARATION OF INTERESTS

The Chair reminded members of their duty to declare an interest, financial or otherwise, in any item on the agenda. Mrs J Deaville declared that she was an employee of the South Staffordshire NHS Foundation Trust which currently had business dealings with the College.

620.0 MEETING OF THE AUDIT COMMITTEE HELD ON 15 JUNE 2010

(a) Minutes

**It was RESOLVED:**

**that the minutes be confirmed as a true record and signed by the Chair.**

(b) Matters Arising

There were no matters arising.

621.0 INTERNAL AUDIT PROGRESS REPORT

(a) Follow Up Review: Data Security

Mrs A Buick, Senior Auditor RSM Tenon, reported that a follow up review on progress made in respect of the Data Security Advisory Review had concluded that College Management had made reasonable progress in implementing actions agreed to address internal audit recommendations.

One 'advisory' recommendation remained outstanding in relation to the introduction of an integrated control structure for mobile computing and storage devices.

The Vice Principal (Resources) confirmed that alternative software solutions were currently being investigated to address this issue with implementation expected prior to the next meeting of the Committee.

(b) IT Disaster Recovery

Mrs Buick reported that a follow up review on progress made in respect of the IT Disaster Recovery Review had concluded that College Management had made reasonable progress in implementing actions agreed to address internal audit recommendations.

One outstanding 'merits attention' recommendation had not yet been fully implemented, with additional work required to formalise the Disaster Recovery testing process.

**It was RESOLVED:**

**that the report be received and accepted.**

(c) Organisational Performance Management

Mrs Buick reported on the outcome of a Thematic Review of the College's Performance Management framework.

The Thematic Review had included observation of a meeting of the College Corporation and a review of performance management information presented to governors and to SMT. The Review had concluded that the College's performance management framework operated effectively with a number of examples of good practice being identified. RSM Tenon would be publishing a follow up report based on the findings of the review, benchmarked with other colleges to promote the sharing of good practice and innovations.

Following discussion members agreed that an action point from the Thematic Review in relation to enhancing the role of Student Governors be referred to the Search and Governance Committee for consideration.

**It was RESOLVED:**

**(a) that the report be received and accepted;**

**(b) that the Clerk be requested to arrange for the action point from the Thematic Review on the role of Student Governors be referred to the Search and Governance Committee for consideration at its next meeting in March 2011.**

622.0 INTERNAL AUDIT SERVICE (IAS) ANNUAL REPORT 2009/10

Mrs Buick presented the Annual Report of the IAS for the year ended 31 July 2010. The report confirmed the opinion of the IAS that the College had adequate and effective governance, risk management and control processes to manage the achievement of the College's objectives during the financial year under review.

In response to a query from the Chair relating to Agenda Item, 13 Mrs Buick confirmed that liaison between the IAS and the Financial Statements/Regularity Auditors had operated effectively in 2009/10.

**It was RESOLVED that it be recommended to the Corporation:**

**that the IAS Annual Report for 2009/10 be accepted as part of the assurance with regard to the Statement of Internal Control within the Financial Statements for 2009/10.**

*At this point Mrs A Buick and Mr P Slater left the meeting*

#### 623.0 FINANCIAL STATEMENTS AUDIT MANAGEMENT LETTER

Mr M Dawson, Audit Manager, (KPMG), presented the Management Letter and Highlights Memorandum in respect of the Financial Statements and Regularity audits for the year ended 31 July 2010. With work now largely completed, unqualified opinions for both audits were anticipated following the approval of the accounts by the Corporation. KPMG also required receipt of SFA/YPLA confirmation of the College's final Learner Responsive funding position for 2009/10.

In the year under review the College had enjoyed a consistently strong underlying trading position with a good operating surplus when one-off costs relating to the property revaluation were excluded. The Income and Expenditure account and Statement of Recognised Gains and Losses included a significant accounting adjustment in relation to the revaluation of the College's land and buildings following a professional valuation of the College estate. On the balance sheet the College's net pension liability in the Local Government Pension Scheme had fallen due to better than expected returns on assets and the impact of changing the relevant inflation index from RPI to CPI.

In response to an audit observation the Vice Principal (Resources) confirmed that the College's 2010/11 forecast and financial projections would be reviewed when the impact of the Comprehensive Spending Review was known.

**It was RESOLVED that it be recommended to the Corporation:**

- (a) that KPMG's Audit Management Letter be accepted as part of the assurance with regard to the Statement of Internal Control within the Financial Statements for 2009/10;**
- (b) that KPMG's Letter of Representation on the Financial Statements Audit for 2009/10 be approved and signed by the Chair of the Corporation at its meeting in December 2010.**

#### 624.0 LEARNER NUMBER ASSURANCE WORK

Mr Dawson tabled KPMG's draft Funding Assurance Report for 2009/10 on the College's system of internal control over its Individualised Learner Record (ILR) data for 2009/10.

The review had concluded that the College's controls on its ILR data were good/satisfactory. Observations and recommendations arising from the review to enhance the overall control environment in certain areas had been agreed by College Management with implementation dates set.

**It was RESOLVED:**

**that the report be received.**

626.0 ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE CORPORATION AND PRINCIPAL 2009/10

The Chair of the Committee presented the Annual Report of the Audit Committee to the Corporation and the Principal as Accounting Officer for 2009/10. The report confirmed the view of the Committee that the College's systems for internal control and managing risk had operated effectively during the year under review.

**It was RESOLVED that it be recommended to the Corporation:**

**that the Annual Report of the Audit Committee to the Corporation and the Principal be accepted with as part of the assurance with regard to the Statement of Internal Control within the Financial Statements for 2009/10.**

627.0 RISK MANAGEMENT ANNUAL REPORT TO THE CORPORATION

The Vice Principal (Resources) presented the Risk Management Annual Report from College Management for 2009/10 which reviewed the College's key risks and mitigating controls.

During 2009/10 the College's risk framework had operated by effectively as confirmed by the positive outcome of the Internal Audit Service review of Risk Management. Following review by SMT no changes to the College's Risk Management Policy were proposed.

Members considered the College's full Risk Register and Action Plan, noting that a separate section had been added specific to Enterprise and the risks associated with Employer Responsive funding.

**It was RESOLVED that it be recommended to the Corporation:**

**that the Risk Management Annual Report from College Management be accepted as evidence that key risks were being identified, evaluated and managed in the year ended 31 July 2010.**

628.0 AUDIT PROVIDERS: PROGRESS AGAINST RECOMMENDATIONS

The Vice Principal (Resources) reported on progress made in implementing the recommendations made by the College's audit providers. .

Good progress had been made with most audit recommendations having been implemented within the deadlines agreed. Internal audit 'significant' recommendations

regarding the Collegiate Partnership still remained outstanding due to the requirement for the governing bodies of all partners to approve a Partnership Agreement. In response to concern expressed by members regarding the long standing nature of these recommendations, the Vice Principal (Resources) agreed to discuss this issue with the IAS.

**It was RESOLVED:**

**that the report be received and accepted.**

629.0 PARTNERSHIP PROVISION

The Vice Principal (Resources) reported on current arrangements for the College's sub-contracted provision with partners.

The College was now in the second year of a three-year contract with Francesco Group for the delivery of Learner Responsive Hair and Beauty provision. Plans were in place to resume partnership working with long standing partner (CCEL) to deliver apprenticeships in areas such as Storage and Warehousing.

Following discussion, the Vice Principal (Resources) outlined potential changes in national policies and funding arrangements for Employer Responsive provision which would be closely monitored by College Management.

**It was RESOLVED:**

**that the report be received.**

630.0 FINANCIAL MANAGEMENT AND CONTROL EVALUATION (FMCE)

The Clerk updated the Committee on the completion of the FMCE return to the SFA for the year ended 31 July 2010.

The overall self-assessed grade for the College's financial management and control arrangements for inclusion in the FMCE return remained as 'outstanding' as in the previous year.

Since the College meets SFA criteria for a short FMCE return for 2010 and 2011 it is an option for approval of next year's FMCE to be delegated to the Audit Committee since the return must be submitted by 30 November.

**It was RESOLVED that it be recommended to the Corporation:**

- (a) that the short FMCE return for 2010 be given retrospective approval for submission to the SFA via the Provider Gateway;**
- (b) that authority be delegated to the Audit Committee for approval of the FMCE short return in 2011.**

631.0 VALUE FOR MONEY (VfM) REPORT

The Vice Principal (Resources) presented the annual report on VfM developments together with the Procurement Strategy and Action Plan for 2010/11.

The OfSTED Inspection team in November 2009 had rated the College's procurement and sustainability practices as 'very good'. The PFA audit at the same time noted that a strength of the College was its strong progress on value for money and procurement practices.

During the year significant procurement efficiency savings had resulted from the use of web-based applications. The College continued to co-ordinate the work of a collaborative group of 7 colleges to improve procurement efficiency and value. Following review by SMT no changes to the VfM policy were proposed.

The College's Sustainability Group, including members of the governing body, had successfully overseen improvements in waste disposal recycling, energy efficiency and sustainable procurement.

Key targets for next year in the Procurement Strategy and Action Plan included work with collaborative groups on examination fees and the purchase of computers.

**It was RESOLVED:**

- (a) that the report be received and accepted;**
- (b) that the VfM Policy be approved with no changes;**
- (c) that the Procurement Strategy and Action Plan for 2010/11 be approved.**

*Before Mr Dawson left the meeting the Chair informed him that the performance indicators covered in the following item of business had not been fully met, in that a KPMG partner had not attended a Committee meeting during the past year.*

#### **632.0 FINANCIAL STATEMENTS/REGULARITY AUDITORS**

- (a) Review of Performance**

The Chair of the Committee reported that an assessment of the performance of the College's Financial Statements/Regularity Audit providers during 2009/10 was required.

Following review of the College's agreed performance indicators for all audit providers, members agreed that the performance of the Financial Statements/Regularity Audit providers during 2009/10 had been satisfactory. The Chair noted that the only performance indicator that had not been satisfactory related to the non-attendance of a KPMG partner at a Committee meeting in the past year.

**It was RESOLVED that it be recommended to the Corporation:**

**that KPMG LLP be re-appointed to provide Financial Statements/Regularity Audit services for the College for 2010/11 subject to any increase in the remuneration charged being no more than current level of inflation.**



(b) Establishment of Performance indicators for 2010/11

The Committee approved minor amendments to the performance indicators used to inform the annual review of audit performance.

**It was RESOLVED:**

**that the revised Performance Indicators for audit providers to measure audit performance be approved.**

633.0 COMMITTEE STANDING ORDERS

The Clerk reported that the Committee's Standing Orders had been updated to reflect the Corporation's delegation of authority for approval of the VfM Policy and Procurement Strategy.

**It was RESOLVED:**

**that the Committee's revised Standing Orders be received and noted.**

634.0 DATE AND TIME OF NEXT MEETING

Tuesday 15 March 2011 at 5.30 pm.

635.0 PART II ITEMS

Under Part II of the agenda members considered the following items of business:

- Part II minutes of the meeting held on 15 June 2010
- Investigation of Alleged Fraud