



**WEST NOTTINGHAMSHIRE COLLEGE
CORPORATION BOARD**

Minutes of the Audit Committee meeting held in the Boardroom at the Derby Road site on Thursday 23 February 2012 at 5.00 pm.

BOARD MEMBERS Chris Bodger
PRESENT: David Overton (Acting Chair)
Diana Gilhespy

ALSO IN ATTENDANCE: Maxine Bagshaw, Clerk to the Corporation
Andrew Martin, Deputy Principal/Director of Finance
Louise Knott, Director Communications, Marketing & Learner Engagement
Tom Stevens, Executive Director: Capital Projects & Estates
John Nash, KPMG
Louise Tweedie, RSM Tenon

It was noted that Auditors had not wanted to meet with the Committee without managers present.

		ACTION by whom	DATE by when
12.01	<u>APPOINTMENT OF THE COMMITTEE CHAIR</u>		
	In the absence of Nevil Croston it was agreed that David Overton would be appointed as Acting Chair of the Committee for this meeting.		
	AGREED: to appoint David Overton as the Acting Chair.		
12.02	<u>DECLARATION OF INTEREST IN ANY ITEMS ON THE AGENDA</u>		
	The Acting Chair reminded members to declare any interests that they may have on any items on the agenda. No interests were declared.		
12.03	<u>WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u>		
	Apologies for absence were received from Nevil Croston, Patrick Green from RSM Tenon, Andrew Argyle and Karl Teigh from KPMG.		
12.04	<u>MINUTES OF THE MEETING HELD ON 10 NOVEMBER 2011</u>		
	AGREED: to approve the minutes of the meeting held on 10 November 2011.		
12.05	<u>MATTERS ARISING AND ACTION PROGRESS REPORT</u>		
	Members took the opportunity to review the action progress schedule at page 12 in more detail and the following was noted:		

Signed : _____Chair

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	ACTION by whom	DATE by when
<ul style="list-style-type: none"> • Items 1, 2 and 7 – Auditor Training – It was agreed that the Director of Finance needed to arrange a specific agenda item to cover updated training. It had been expected that full training on the new Joint Audit Code of Practice would be provided, however, it does not now look like this code will be implemented. It was agreed that the Director of Finance would liaise with the Chair of the Committee and the auditors to provide a training session on a topical issue. • Item 3 – KPMG are regularly providing sector updates and, indeed, John Nash is attending today to further inform the Committee. • Item 4 – ongoing. • Item 5 – it was acknowledged that benchmarking of Administration and Central Service salaries is an ongoing review and, in fact, the Director of Finance indicated that, if the College is looking more seriously at efficiencies, then what is required is a different piece of work. It was noted that another set of data was now due and that what was noted on the progress schedule is, in fact, quite a historical action point now. The Director of Finance indicated that, as a result of internal and external audits, the College has now been able to identify a number of areas to focus on regarding efficiencies. He suggested that this action point had now been superceded and what needed to be reviewed instead was value for money. It was agreed to ask Internal Auditors to look at Value for Money and efficiencies within Administration and Central Services as part of their next cycle of audit. • Item 6 – Director of Finance is still to provide David Overton with a copy of the ISA 240 Self Assessment document. He confirmed he would do this as a matter of urgency. • Items 8 & 9 – completed. • Item 10 – on the agenda. • Item 11 – it was noted that the College is still in the process of transferring examination entry data and, therefore, the introduction of spot checks by the Examinations Team and an Internal Audit review of Team Operations is ongoing. • Items 12 & 13 – completed. • Item 14 – Updated Redundancy Policy – the Clerk to the Corporation confirmed that this is a scheduled agenda item for the April 2012 Board meeting. 	Dir Fin	March 2012
<p>12.06 <u>ILR AUDIT</u></p> <p>The Director of Finance introduced this item and confirmed that a verbal report had been given at the November 2011 meeting. What is presented today is a copy of the full written report. He reminded Governors that, historically, colleges were subject to regular ILR audits, but that it has been approximately 8 years since the College's own ILR has been audited. He confirmed that there was a number of key issues arising from the report which are being addressed:</p>	Internal Auditors	2012/13

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1. Page 16 – recording of hours on unlisted courses. He confirmed that there are now more internal testing processes in place.
2. Page 18 – inconsistencies in relation to the registers and the ILR dates. These have all been investigated through a sampling process and a compliance checklist process is now in place.
3. Fee Remissions – fee remissions should only be entered into the ILR once the College has received the necessary evidence which meets the criteria set out in the funding and audit guidance. Where level 2/3 entitlement is claimed, the College must ensure that a declaration is completed against each learner and it is only to be used against the first full level 2/3. In some cases, the necessary evidence was missing and is a matter of compliance that has now been addressed.
4. Page 19 – learner agreements. A lack of signature in some areas, this has now been addressed. New forms only require one signature. Further checks have now been put in place.
5. Page 22 – Accuracy of Data (date of birth on the ILR did not agree with that on the enrolment documentation) this is as a result of human error. The College has put in place further sampling tests.
6. Page 23 – Submission of the ILR and codes used – this has highlighted the potential for duplicate funding. Again, sampling tests are now in place.

Members were reminded that an unqualified opinion was given, this in essence means that although errors and anomalies were found (which is not unusual) they were not of a magnitude so as to cause undue concern to the auditors. Members` attention was drawn to pages 25 and 26, which details the impact of the adjustments. The Director of Finance confirmed that all actions to minimise and mitigate the likely future occurrence of such errors have been put in place and that the feedback from auditors following inspection was a reasonably positive one and a clean audit opinion given.

Members went on to discuss the size of the sample tested and were advised that approximately 160 learners out of 3600 were reviewed. It was confirmed that the sample size was set by the SFA and is determined by the size of the organisation. It was acknowledged that this is a relatively small sample size and that the results, if extrapolated, could identify potentially significant problems. The Director of Finance assured members that the errors found had been subject to further external and internal sampling and that the College was happy that there was no evidence of significant systematic errors. The Director of Finance indicated that the one process that he has identified as needing further review is the fee remission process. This is key process to get this right as it impacts upon funding.

He confirmed that the College had undertaken retests in the areas identified and auditors had been satisfied that there were no systematic errors and therefore did not provide a qualified opinion.

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In relation to data capture, the Director of Finance confirmed that a very challenging area is in relation to ESOL provision and that this is an issue of how to accurately record student attendance. It is not believed that the errors and statistics show a failure to deliver to the guided learning hours.

AGREED: to note the ILR Audit and the Management Response & Action Plan.

12.07 INTERNAL AUDIT

1. Progress Report

Internal Auditors introduced this item and drew members` attention to page 29. They confirmed that, in line with expectations, they have issued two final reports since the last Audit Committee meeting:

- a) Governance Workflow Management, and
- b) Risk Management Arrangements for Vision Apprentices, Skilldrive and Safety Plus.

A draft report in relation to IT security has been sent to College and this will be finalised and reported to the Committee at the next meeting. The team are due back on site next week to complete a review in relation to Capital Projects and Recruitment and Retention. Members were advised that, so far as scheduled activity was required, all was on track.

Members reviewed the assurance levels detailed on page 31. Internal Auditors confirmed that there was nothing within the audits carried out to date which would cause them concern or lead them to believe that an unqualified opinion would be given. It was confirmed that an amber judgement was still a `sound` opinion.

Members` attention was drawn to the client briefings, and the following was particularly noted:

- Page 33 – new freedoms, new opportunities, new risks – like everyone else in the FE Sector, auditors have been watching developments and the new freedoms and flexibilities being given to the sector. As one question noted during a breakout session at the recent AoC Conference, these new freedoms may also invoke the law of unintended consequences.
- Page 34 – there will be a requirement to have in place professional indemnity insurance for Governors, it was noted that the Governing Body already has in place liability insurance.
- Page 35 – Joint Audit Code of Practice – it is now unlikely to ever materialise, however, separately the SFA, YPLA and others will be looking at the overall audit and assurance needs of the sector. The College will probably see significant relaxing of the rules in line with

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all the other new freedoms and flexibilities being passed across the sector. Overall, these new freedoms will provide both opportunity and risk to colleges. The clear view from BIS and other sector bodies is that lessons from other past failings have been learnt, and that they do not expect a repeat of the infamous problems of the past. She confirmed that there should be further clarity regarding this position at the June meeting, but that what is expected is greater flexibility for colleges to decide on the programme of audit. All members felt that the role of the Internal Auditors was not an external burden, and was a positive tool for improvement and that, as a consequence, it would not be the case that this Committee would be recommending that no Internal Audit be undertaken.

- Page 36 – Training Course Scams.
- Page 37 – Safeguarding and Further Education Colleges – it was noted that safeguarding has now been removed as an Ofsted limiting grade, but that most colleges have this area so embedded within their systems and processes that, without specifically labelling it as such, safeguarding will remain a consideration.
- Page 41 – Bursary Fund Alert – increased use and application to bursary funds because of the withdrawal of EMA means the need to introduce a robust system.
- Page 43 - E-Update Register of Training Organisations - the Director of Finance confirmed that the College has completed the online registration required, and has also supported two of its partners to achieve status on the register.

AGREED: to note the Progress Update provided.

2. Risk Management

Internal Auditors introduced this item and confirmed that their review had shown an amber/red finding. This means that there is still some work to be done in this area. Members' attention was drawn to pages 50 and 55, where five medium and four low recommendations were noted. Internal Auditors confirmed that the overall College system is very robust and there is simply a need to improve the processes in place for subsidiary companies to ensure that these are brought up to similar standards.

Members' attention was drawn to page 48 and the conclusions, and particularly noted were the bullet points in relation to application of a compliance and control framework.

Members reviewed the points raised and were satisfied that what was identified were recommendations to bring about consistency of application of risk management processes, rather than a lack of consideration of risk at subsidiary company level.

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AGREED: to note the report provided.

3. Corporate Governance

Internal Auditors introduced this item and confirmed that the audit had led to only two minor recommendations and one suggestion (as detailed on page 67). Green assurance was provided which is a very positive position. All acknowledged that this was a very positive report regarding existing governance arrangements.

AGREED: to note the update provided.

12.08 COMPOSITE COLLEGE RECOMMENDATIONS REPORT

The Director of Finance introduced this item and confirmed that there are currently:

- Two recommendations to be implemented from 2009/10 Internal Audit reports of which both are outstanding.
- No further recommendations to be implemented from 2010/ 11 Internal Audit reports.

Members` attention was drawn to pages 75 and 76 which detail the actions required, these are:

- a) the College should process all examinations and registrations with the dedicated Examinations Team to ensure that accurate and complete records of examinations are maintained,
- b) the College should use the data contained within the register system to complete individual teaching logs. Using such data would reduce the administrative burden upon individual teachers and increase the reliability of the teaching logs.

The Director of Finance explained that registers generally remain an issue and this is linked to a cultural problem/perception that needs to be addressed. He explained that the College has a very dynamic system in place for timetabling and curriculum planning and that the current register system is simply not as effective. He explained that the problem is more fundamental than simply register accuracy and that the system has limitations. The impact of this is that the College is not sufficiently confident that the data on the systems is accurate enough to be able to rely on it on in the way that it would hope and that there are still issues to address. He confirmed that there was a hope that issues would be addressed in time for the next academic year, but that this is a significant piece of work to tackle.

Members of the Committee agreed that the themes of registers, attendance and recording seem to be repeated within identified areas of

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concern and that as a consequence, it may be useful to have a regular report to the Audit Committee on these issues. The Principal confirmed that the use of electronic registers as a tool is being monitored and the College does, in fact, have an action plan in place to bring about improvements in this area. The Director of Finance acknowledged that there was a lot of work to be done in this area, and that because of this, it was appropriate to bring this as a regular report to the Audit Committee. Members also suggested that it would be beneficial to request Internal Auditors to look at register data systems in the next audit cycle (2012/13).

Progress Against Internal Audit Recommendations

Members' attention was drawn to pages 80 and 81, which again provides a summary of actions identified. Items 1 and 2 remains outstanding, items 3 and 4 have been completed.

AGREED: to note the update provided.

12.09 RISK MANAGEMENT

Register Update

The Director Communications, Marketing & Learner Engagement introduced this item and confirmed that there have been very few changes to the register since November 2011. She confirmed that the College has now included the Internal Audit recommendation to cross reference assurance evidence and this can be seen within the risk register tables. One key item identified is the need to assess the College's responsiveness to both national and local needs.

Members were advised that the Executive Team met in February to review the College's risk register and make appropriate changes. In the majority of cases the Executive were satisfied that the level of assurance from a variety of sources was adequate to satisfy both Senior Management and the Governors of the adequacy of the risk control framework, there were, however, three significant risks where assurances would need to be sought:

1. The External Environment
2. Reputation
3. Data Ownership - it was noted that data ownership is an area identified as a problem in a number of aspects and perhaps Internal Auditors, whilst looking at registers, needed to widen their sphere further.

In relation to reputation, the Committee was advised that as part of a revised Communication Strategy, the College will consider the completion

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Finance Director	Standing Item

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of a Stakeholder Perception Audit. It was confirmed that the results of this perception survey would be reported to this Committee and the Board.

AGREED: to note the update provided.

Guide & College Procedures

The Director for Communications, Marketing & Learner Engagement drew members` attention to page 101, and confirmed that in November 2011, PKF prepared a guide to risk management in colleges which highlights good practice. The College has undertaken a review of the document and compared it with its own processes, so as to produce a very proactive report on potential improvements to be introduced.

Members` attention was drawn to table 1, which provides a summary of the recommendations and assessment of the College`s own position against such recommendations. Members were asked to note the following:

- In the majority of cases the College meets and sometimes exceeds recommendations.
- There are three areas which may involve further work:
 - i. The inclusion of an assessment of our progress to achieving our target, residual score identified within the significant risk register as part of our annual risk report. This will be done in the annual report.
 - ii. How we better inform all staff of their own responsibility of risk management – it was agreed that this was actually completed as part and parcel of the College`s own self assessment process and that it was more an issue of general awareness rather than a failure. It was made clear that there was no benefit in adding an additional burden to staff`s day job when really risk assessment is completed as part and parcel of the self-assessment process.
 - iii. Whether the College should require all teams to have an operational risk register. It was felt that there was no need to do this, as it would only add a layer of paperwork, which would diminish from the robust management systems in place. It was accepted that the only benefit could be a process for feeding information up to the Senior Team but, on balance, it was felt that the Senior Team were aware of the risks within the organisation. It was agreed by all that risk assessments within colleges are a mechanism for greater decision making freedom and that this should be encouraged at all levels.

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Director CMLE	Sept 2012

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Members reviewed the risk mitigation/control strategies five-point scale and were advised that these would be built into a review of the College's risk appetite.

AGREED: to note the update provided.

12.10 **AOB**

The Principal raised two matters of additional business. The first was in relation to the consistency of the font, logo and style of presentation in the papers. It was felt that there was a real lack of standardisation. It was agreed that the Director of Communications, Marketing & Learner Engagement would work with the Executive Team and PA's to bring about consistency.

Director
CMLE February
2012

Additionally, Governors indicated that the documents were no longer available electronically, the Director of Finance confirmed that he would work with the PA Team to ensure that, despite the fact that the Board no longer wish to operate a paperless system, that documents were available electronically for those who wanted to access them in that way externally.

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12.11 **AUDIT SECTOR UPDATE**

Internal and external auditors introduced this item and drew members' attention to the following:

- ONS decision is awaited.
- RSM Tenon has seen some negative media coverage recently. The share price has dropped because of internal changes within the company. Members were provided with assurance that the issues seen were as a result of organisational restructure and were not related to any issues of competency regarding the company.

The next few years will see a challenging time for all colleges and those colleges that succeed will be directly linked to those who can develop coping strategies. Of particular interest are:

- 1) Greater freedom, but greater responsibility and accountability.
- 2) Local accountability.
- 3) Significant changes within the existing framework and not simply tinkering around the edges.
- 4) With partner activities there is likely to be much more intervention, with some expected high profile failures within the sector.
- 5) Significant opportunities for the strong colleges.
- 6) Strategic positioning as an organisation is critical.
- 7) Cut costs and efficiencies.
- 8) Maximising freedoms, but not putting the College at risk.

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- 9) Reduction in funding is massive.
- 10) Employers and apprenticeship growth with increased budgets.
- 11) High quality provision that delivers value for money.
- 12) Focus on young adults, NEETs etc.
- 13) Single funding system for adults. Likely to be winners and losers.
- 14) Introduction of FE loans.
- 15) Each learning aim will have an achievement payment.
- 16) YPLA continuation of lag learner number system.
- 17) Cuts in funding rates.
- 18) Alison Wolfe (and the 14-19 funding regime changes and delivery proposals) consultation closed in January. The sector is currently awaiting the report, but it is clear there will be a big impact upon curriculum.

AGREED: to note the update provided.

12.12 DATE OF NEXT MEETING

The Clerk to the Corporation confirmed that the next meeting was scheduled for 28 June 2012.

The meeting closed at 6.45 pm.

ACTION by whom	DATE by when

Signed : _____Chair

Date: