



**WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE**

Minutes of the Audit Committee meeting held in the Vision Room at the Derby Road site on Thursday 28 June 2012 at 5.15 pm.

BOARD MEMBERS PRESENT: Chris Bodger
Nevil Croston, Chair
Diana Gilhespy
David Overton

ALSO IN ATTENDANCE: Maxine Bagshaw, Clerk to the Corporation
Andrew Martin, Deputy Principal Director of Finance
Louise Knott, Director Communications, Marketing and Learner Engagement
Tom Stevens, Executive Director Capital Projects & Estates
Andrew Argyle, KPMG
Dan Haywood, KPMG
Patrick Green, RSM Tenon
Louise Tweedie, RSM Tenon

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

		ACTION by whom	DATE by when
12.13	<u>DECLARATION OF INTEREST IN ANY ITEMS ON THE AGENDA</u>		
	The Chair reminded those present to declare any interest that they may have on any items on the agenda. No interests were declared.		
12.14	<u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u>		
	No apologies for absence were received.		
12.15	<u>MINUTES OF THE MEETING HELD ON 23 FEBRUARY 2012</u>		
	AGREED: to approve the minutes of the meeting held on 23 February 2012.		
12.16	<u>MATTERS ARISING AND ACTION PROGRESS REPORT</u>		
	Members took the opportunity to review the table of items identified and the following was noted: Item 1 – Auditor training – this still remains to be agreed and pursued. Item 2 – as above. Item 3 – ongoing. Item 4 – ongoing.		

Signed : _____ Chair

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Item 5 – completed.
 Item 6 – completed.
 Item 7 – as 1 above.
 Item 8 – there is a paper on the agenda regarding the examinations and register processes. In addition, Internal Auditors are to provide a report on examinations.
 Item 9 – completed.
 Item 10 – as 1 above.
 Item 11 – ongoing. Members were advised that Internal Auditors are doing an element of this work in 2011/12.
 Item 12 – standing item and on the agenda.
 Item 13 – the Stakeholder Perception Survey will not now take place until later in the year with the results from the survey delayed to November 2012, full report to be provided to the January meeting.
 Item 14 – ongoing.
 Item 15 – it was agreed that the Executive PA’s would recirculate access instructions with Gavin Peake to ensure that electronic versions of reports are available.

Dir C&M	January 2013
Clerk	July 2012

12.17 PFA AUDIT REPORT

The Director of Finance introduced this item and confirmed that what was presented were draft notes upon which the College can provide feedback. Members were reminded that the PFA team came in to undertake audit/inspection at the same time as Ofsted. The basis for the review is the FMCE questionnaire completed and the evidence files compiled to support the judgements made. Of particular note is the fact that the PFA’s overall judgement does not concur with the self - assessment grade and that this is influenced predominantly by the fact that the PFA team had to take note of Ofsted’s position.

Members discussed the Ofsted inspection process and noted that the College’s self-assessment is based upon the totality of provision. However during inspection week, Ofsted only looked at parts of provision and made their judgement based upon that, eg, Hair & Beauty, Creative/Performing Arts. Members acknowledged that ‘they are where they are’ in relation to Ofsted and there were some key points to note from the inspection in terms of Audit Committee actions:

- 1) Sub-contract monitoring needs to be strengthened.
- 2) Risk management – Internal Auditors have this year focussed on subsidiary company risk management and the recommendations made have influenced the PFA findings.
- 3) Any additional work undertaken by internal or external audit firms outside the annual plan needs to be reported to the Committee in the annual report. It was noted that this was omitted from the 2010/11 Audit Committee annual report and this was picked up as an improvement action.
- 4) External Audit recommendations were not previously monitored, it was noted that they are now scheduled as a discrete agenda item. In

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addition, External Audit recommendations were not included in the annual committee report for 2010/11. The recommendation is to make clear any non-achievement of recommendations in future annual reports. One suggestion made was that the Terms of Reference need to make it explicit that the role of the Audit Committee is to monitor both internal and external audit recommendations. It was agreed that this would be considered at item 15 later on the agenda.

Clerk

June 2012

- 5) Failure to include the fact that an ILR audit was planned in 2010/11 was raised as an issue. It was felt that the 2010/11 Audit Committee annual report should have included this, albeit that the audit had not taken place at the time of preparing the report.

Members felt that in general terms the items picked up were relatively minor and were satisfied with the control frameworks in place. It was agreed that the recommended actions for improvement would be adopted and implemented.

AGREED: to note the content of the report.

12.18 INTERNAL AUDIT REPORTS

1) Quality Assurance Systems

Internal Auditors introduced this item and confirmed that a green opinion had been provided. They confirmed that good systems and practices had been viewed and in place. In terms of the self-assessment process, some slight variances between the College's practices and Ofsted expectations were noted. Their view was that taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk, are suitably designed, consistently applied and effective.

The Principal raised some concern regarding the content of this report given the Ofsted findings and criticism of the quality assurance processes. It was her view that there was a clear mismatch between the systems and the impact. She was disappointed that this audit had not helped to bring about improvements and highlight issues to address prior to inspection. She expressed her belief that following the Ofsted visit and hindsight, she did not feel that this had been a successful audit.

Internal Auditors indicated that, again with hindsight, perhaps the scoping of this piece of work had not identified exactly what the College would wish Auditors to look at and that scoping and a clear understanding was critical. All agreed that there was a need for more careful scoping and planning in the future.

In terms of the Ofsted inspection, the issue now for Governors to monitor is teaching and learning and that what has come as such a surprise is that such a fundamental building block is not as solid and sound as the College

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had believed and would have hoped for. This is an issue to address urgently. Members acknowledged that whilst systems may be sound and operate on a practical level, there is also the issue of 'judgements' being made within the system. It was felt that moving forward, the focus of any audit needs to be impact, outcomes and effectiveness, rather than simply process review.

The Principal referred to paragraph 1.1 and the commentary made regarding the Ofsted inspection in May 2008, she felt that if inspection in 2008 was the starting point then the audit was too disconnected and what she has seen generally is a disconnection between the self-assessment process, this internal audit report and what Ofsted actually found when they visited. She questioned whether internal audit is the right tool to provide assurances to this Committee. It was agreed that for such a specialised area as Teaching and Learning, multiple sources of assurances would be required and that there would always need to be external assurances.

AGREED: to note the content of the report.

2) Recruitment and Retention – Learner Journey

Internal Auditors introduced this item and confirmed that this audit had looked at the student journey in particular, and that three low recommendations had been made. Members' attention was drawn to page 56 and items noted were:

- 1) Student support services strategy should be devised by the College to outline how the newly formed department will help improve the learner journey and meet College wide objectives.
- 2) Similar data capture forms should be utilised across all Schools, for example, in respect of recording interviews and induction, to ensure that a minimum agreed level of content is covered. Schools can then add any curriculum specific factors to this.
- 3) The College should consider introducing diagnostic testing of personal tutors for substantive part time learners, the decision should be based on consideration of the costs and benefits of extending these schemes to this cohort.

In addition to these items, members' attention was drawn to page 55 and the suggested 'keep warm' methods for future improvement. Auditors confirmed that their work showed an overall good outcome, but with a few pointers for improvement.

Members all agreed that there was a better way to understand learners' starting ability and diagnostic testing would support this. There is a feeling that in the new Ofsted framework, outcomes rather than just success rates will be much more important and that starting point data would therefore be more relevant.

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AGREED: to note the report provided.

3) Capital Projects

Internal Auditors introduced this report, which was presented as a draft at this stage. In summary, a green opinion was provided with Auditors feeling that processes in place were operating well in practice.

It was acknowledged that since the completion of this report, the Sports Hall contract does have delay and overspend and there is, therefore, a real timing issue regarding the preparation of this report. Members were advised that one piece of work per annum will be undertaken in relation to the capital project, and that this would be reported into this Committee. Given the significant change in circumstances since the timing of this audit, members questioned whether there was a need to look more closely at the timing of audits agreed, with hindsight perhaps this audit would have been much better at the beginning rather than at the end of the academic year.

The Principal raised a concern regarding the content of this report and expressed a belief that there must be a weakness in the Capital Project management system because of the fact that the College and the contract is where it is. She was disappointed that this report did not pick up any areas to address, but simply gives a broad assurance that systems are working well, when clearly there is evidence to suggest that they no longer are.

For future reporting, members indicated that they would find it useful to have internal audit reports circulated as soon as they are finalised rather than waiting for a meeting. It was felt that the time lag in terms of presentation was not helpful.

Members also indicated that it would be useful to have Internal Auditors undertake a discrete piece of work regarding capital project management.

AGREED: to note the report provided.

4) Follow up of previous internal audit recommendations

Internal Auditors introduced this report and confirmed that there were seven action points still to be completed from the previous year. Members discussed in detail curriculum planning and questioned how the College could better obtain external support to identify issues and highlight areas to address. The Principal indicated that she would like to see audit work move away from just process assessment, and that to add real value, there would need to be specialist advice provided with real constructive comments and criticisms intended to bring about improvements.

Director
Finance

2012/13

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Members` attention was drawn to the data table at page 109, which shows that in the 2010/11 year there have been 25 recommendations agreed, of these 60% have been implemented, 12% are being implemented and 28% remain not implemented.

AGREED: to note the update provided.

5) Key Financial Controls

Internal Auditors introduced this item and confirmed that their audit work had looked at cash, banking and treasury management. Overall a green opinion. Auditors confirmed that taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. They did, however, note that whilst this is the case, the College must carefully monitor its cash flow position in light of a challenging external environment restrictions and the need of the College to service its debt in the future.

Two low recommendations were noted at page 115.

AGREED: to note the report provided.

6) Employer Responsive

Internal Auditors introduced this item and confirmed an overall green opinion. Three low recommendations have been made and these are detailed on page 134. Of particular importance is paragraph 1.1 where it is recorded that the College must ensure that an ILP is held on file for all learners, and in each case the ILP should be signed and dated by all parties, (learner, employer and provider) to confirm agreement to its content.

AGREED: to note the report provided.

12.19 PROGRESS AGAINST EXTERNAL AUDIT RECOMMENDATIONS

The Director of Communications, Marketing and Learner Engagement introduced this item and confirmed that it has been scheduled in response to PFA comments. Members` attention was drawn to the five items outstanding from the 2010/11 audit, it was confirmed that all have now been completed. Going forward, members were advised that monitoring of external audit recommendation will roll into a composite internal/external monitoring report which will be received at each meeting.

AGREED: to note the update provided.

Director
C&M

2012/13

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12.20 **INTERNAL AUDIT STRATEGIC PLAN AND AUDIT NEEDS ASSESSMENT 2012/13**

Internal Auditors introduced this item and confirmed that what was presented was a proposed three year plan, although it was acknowledged that the plan will change over time as it is a responsive document to the needs of the College. Members` attention was drawn to page 150, which is the proposed action plan for 2012/13 items.

Members reviewed the proposed areas highlighted and were advised that the plan would be presented to the Executive for further discussions, all agreed that given the disappointment expressed regarding a number of internal audits today that there needed to be greater clarity regarding scoping to ensure that the College sees the impact of the work undertaken. Members felt that there were some issues regarding timing and ordering of priority items for audit, it was agreed that these would be reviewed by the Executive.

Internal Auditors indicated that it may be useful to present the planning memorandum to this Committee in addition to the strategic plan, and that this would ensure that there was greater clarity regarding the scope agreed for each and every audit.

It was agreed that this plan would have to be reviewed at the next meeting. Members of the Committee requested that the plan be circulated well in advance of the meeting so that they could have a detailed opportunity to review.

AGREED to:

- a) Note the draft strategic plan and audit needs assessment 2012/13, and
- b) Review a further plan to be presented at the next meeting.

Exec

July 2012

Director
Finance

4 Oct
2012

12.21 **KPMG 2011/12 PLANNING MEMORANDUM**

External Auditors introduced this detailed document and drew members` attention to the following:

- Page 156, paragraph 1 – audit objectives.
- Page 158 – purpose of the audit and independence.
- Page 159 – audit processes.
- Page 160 – use of specialists.
- Page 162 – 164 – key audit risks identified.
- Page 165 – audit team.
- Page 166 – audit fees – it was noted that these are in line with the tender submitted.

Given the PFA comments made regarding a failure to adequately declare non-audit services from internal/external auditors, it was agreed that KPMG would provide a draft policy regarding non-audit service work from

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audit firms. This could then be reviewed by the Committee and potentially adopted. It was agreed that external auditors would provide a paper regarding any additional services commissioned on an annual basis, and there would therefore be clarity regarding this moving forward.

External
Auditors

4 Oct
2012

In terms of the planning memorandum, all agreed that pages 162-164 were the key risks looking forward. Auditors were particularly interested to explore sector issues emerging regarding revenue recognition.

- Page 167 provides audit timeline and deliverables.

AGREED: to approve KPMG 2011/12 planning memorandum.

12.22 RISK MANAGEMENT

The Director Communications, Marketing and Learner Engagement introduced this item and drew members' attention to the following:

- The first phase of the risk register was approved by the Audit Committee in June 2011 and subsequently by the Corporation Board in July. The risk register was constructed in two phases throughout the year, the first phase following an assessment of risks associated with the business plan, and subsequently being an assessment of the risk from the self-assessment process and operational delivery, no further risks were added as a result of the self-assessment process in 2011/12.
- In terms of Executive ownership, each risk is assigned an Executive owner and the Executive Team will consider the risk register and changes to the environment on a termly basis. Items such as the property strategy form standing items on agendas, with others such as relationships, HR and financial stability being considered on regular reports against KPI's.
- All significant risks have been monitored at least on a termly basis, in many cases reports have been taken to one or more Committees, and for College's more significant risks, ie, those relating to the financial stability and property strategy, reports are standing items on either Committee or Corporation Board agendas.
- 2011/12 has yet again been a turbulent and somewhat challenging year for the College, as it continues to deal with spending austerity in public services, the withdrawal of EMA funding for 16-18 year olds, internally the College saw the commencement of phase 2 of the accommodation strategy and most recently the Ofsted inspection. Whilst no significant changes were made to the risk register from the start of the year, additions were made to the risks within it. The most notable fluctuations in terms of the risk register in year were:
 - a) The potential risks to 16-18 recruitment and the withdrawal of EMA did not materialise, and as a result the risk of the College not meeting this crucial funded target was significantly mitigated,
 - b) The property strategy has, on the whole, been carefully managed and monitored but has, however, experienced some delays in relation to the completion of the sports hall,

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- c) Risks relating to safeguarding and equality and diversity were removed from the significant risk register and placed on the contingent risk register as a result of robust College practices, and the fact that these two items will not be a contributory grade under the new inspection framework.
- The subsidiary companies consider their strategic risk register at Board level on a regular basis. For Skilldrive/BKSB the Senior Management Team have now begun to review the risk register on a quarterly basis as part of the cycle of the business, in order that the register becomes embedded in the objectives for the Company's activities. The review at Board level will continue as before.
 - Vision Apprentices will adopt a similar process in its ongoing operations.
 - The subsidiary companies are currently subject to a review, which may change the integration of their activities with either the College or the other subsidiary companies. Following the outcome of this review, the management scrutiny of the strategic risk register will be embedded in the management team responsible for delivering the underlying activities of the company.
 - The Internal Audit team conducted a review of the subsidiary companies' risk arrangements and made some recommendations as to improvements. Members will be provided with a full report on the risk assessment and risk registers of all subsidiary companies at the next meeting.

Director
C,M&LE

4 Oct
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AGREED: to note the annual report on risk management activity 2011/12.

12.23 RISK MANAGEMENT STRATEGY AND REGISTER 2012/13

The Director of Communications, Marketing and Learner Engagement introduced this item and drew members' attention to page 189. She indicated that the College has seen some significant changes and is currently carrying a heavy risk profile. Of particular importance are Ofsted findings in relation to Teaching and Learning and the Quality Assurance processes. Members were advised that the top three risks on the register are linked and relate to developing a self-critical culture. In terms of the process moving forward, the risk register has identified mitigating actions and a member of the Executive Team who will own the risk, it is anticipated that some of the risks will be downgraded once mitigating actions are in place and introduced.

Members questioned whether this Committee should expect to see KPI's and in particular a meeting by meeting mechanism to track whether residual scores have gone up or down and whether there are trigger points that need to be made clear. Governors felt that they needed to know more about what the College hopes to achieve and how they will achieve it. Members agreed that KPI's ought to be introduced for the top ten risks and a report provided showing achievement/improvement. It was agreed that the Director of Communications, Marketing and Learner

Director
C,M&LE

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Engagement would work up a potential model for discussion at the next meeting.

In relation to risks 14 onwards, members were advised that they sit on the contingent risks and are mostly generic rather than specific.

AGREED: to approve the risk management strategy and register for 2012/13.

12.24 REGISTERS, ATTENDANCE AND RECORDING

The Director of Finance introduced this item and confirmed that the report was presented following an action point at an earlier meeting. He indicated that the detailed report provides an update to the Committee on plans and progress required in order to tackle a fundamental control and information issue identified as an area for improvement by Management and the Internal Audit service. It was acknowledged that this Committee would receive regular updates on tackling the challenges, improving the process for timetabling and recording electronic attendance.

Members were advised of the background to the College timetable and electronic register system and the following summary of current issues preventing consistent register completion were noted:

- 1) Registers not set up.
- 2) Students missing from the register.
- 3) Students on incorrect registers.
- 4) Electronic register not marked in class – it was acknowledged that this was a fundamental issue to address.
- 5) Marks not used accurately.
- 6) Registers created but never marked.
- 7) Staff not coded to the correct College team.
- 8) Some offerings not properly established and set up.
- 9) Tutorials recorded against all main learning aims.
- 10) Operator omissions.

Members` attention was drawn to paragraph 4 which gives detail regarding the scale of the challenge to be addressed. Members reviewed paragraph 5 which outlines the changes required to address the current issues, and also paragraph 6 which explains current work in progress.

Members acknowledged that there was a real body of work to be done to tackle this data problem. Members questioned whether it was the system or user error that was predominantly contributing to the issues. It was felt that if the system was used properly then it would be an effective tool and in fact other organisations within the sector manage to use it very effectively.

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Members were advised that a follow up report would be provided at the next meeting, the Director of Finance expressed a belief that the Committee would see lots of progress at that time.

Director of
Finance

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In terms of bringing about improvements, members questioned how much accountability staff would have. It was acknowledged that there was a need to address this and ensure that there is clarity in relation to staff objectives and this issue can then be performance managed.

AGREED: to note the update provided.

12.25 AUDIT SERVICE SECTOR UPDATE

External Auditors took the opportunity to refer members to the sector developments detailed in their 2011/12 planning memorandum. Members' attention was drawn to pages 169-180.

AGREED: to note the Audit Service Sector update.

12.26 COMMITTEE WORK PLAN

The Clerk to the Corporation introduced this item and presented a framework planning document. It was agreed that this document would be used as a starting point only with items to be added as and when required throughout the year.

AGREED: to approve Committee Work Plan 2012/13.

12.27 COMMITTEE SELF ASSESSMENT 2011/12

The Clerk to the Corporation introduced this item and confirmed that it was an opportunity for the Committee to review its operation and make recommended changes. Members felt that performance could be improved if Governors were given more preparation time for meetings to address this it was agreed that:

- a) Audit Committee papers would be sent out two weeks in advance of a meeting, and
- b) Internal audit reports would be emailed out to Committee Members when finalised rather than waiting for a scheduled meeting.

Clerk

2012/13

Dir Fin

2012/13

AGREED: to note the content of self assessment discussions.

12.28 COMMITTEE TERMS OF REFERENCE FOR 2012/13

The Clerk to the Corporation introduced this item and members were asked to consider any additions or changes required. To give recognition to PFA findings, it was agreed that additional paragraphs would be inserted to:

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- a) Highlight the responsibility of the Audit Committee to monitor both external and internal audit recommendations, and
- b) Additional work undertaken by auditors (non-audit work) to be reviewed on an annual basis and a report prepared. Also to be detailed in the annual audit committee report to the Board.

Subject to these additions, members were happy to roll forward with the Terms of Reference in operation for 2011/12.

AGREED: to recommend that the Corporation approve amended Terms of Reference.

12.29 COMMITTEE MEMBERSHIP 2012/13

The Clerk to the Corporation introduced this item and reminded Governors that membership of this Committee for the 2011/12 year was Chris Bodger, Nevil Croston, David Overton and Diana Gilhespy. Members all felt that there was a good skills mix evident and that in particular, Chris's appointment as a full Governor had been a real benefit.

AGREED: to recommend that the Board approve existing Membership for the 2012/13 year.

12.30 CONFIDENTIAL ITEMS

It was agreed that confidential discussions would be recorded separately.

12.31 AOB

There were no items of additional business.

12.32 DATE OF THE NEXT MEETING

The Clerk to the Corporation confirmed that the next meeting was scheduled for 4 October 2012.

Signed : _____ Chair

Date: