**WEST NOTTINGHAMSHIRE COLLEGE**
**AUDIT COMMITTEE**

*Minutes of the Audit Committee meeting held in the Vision Room at the Derby Road site on Thursday 4 October 2012 at 5.00 pm*

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| **BOARD MEMBERS PRESENT:** | Nevil Croston<br>Diana Gilhespy<br>Adrian Harpham |
| **ALSO IN ATTENDANCE:** | Maxine Bagshaw, Clerk to the Corporation<br>Andrew Martin, Deputy Principal Director of Finance<br>Louise Knott, Executive Director Communications, Marketing & Learner Engagement<br>Tom Stevens, Executive Director Capital Projects & Estates<br>Simon Stanyer, KPMG<br>Patrick Green, RSM Tenon<br>Louise Tweedie, RSM Tenon |

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

| | ACTION<br>by whom | DATE<br>by when |
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| **12.33  APPOINTMENT OF THE COMMITTEE CHAIR 2012/13**<br><br>The Clerk to the Corporation introduced this item and reminded Governors that the Terms of Reference require appointment of the Chair at the beginning of each new academic year.<br><br>Nevil Croston was nominated to act as the Committee Chair. This nomination was seconded and approved.<br><br>AGREED:    to appoint Nevil Croston as Committee Chair for 2012/13.<br><br>**12.34  DECLARATION OF INTERESTS IN ANY ITEMS ON THE AGENDA**<br><br>The Chair reminded those present to declare any interests that they may have on any items on the agenda. No interests were declared.<br><br>**12.35  WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE**<br><br>Apologies for absence were received from Chris Bodger and David Overton. Apologies were also received from Andrew Argyle and Dan Heywood at KPMG, Simon Stanyer is attending in their absence. Adrian Harpham was welcomed to his first Audit Committee meeting as a Governor. Because of the new attendees, it was agreed that round table introductions would be made. | | |

Signed : _____Chair                          Date:

**12.36**   **MINUTES OF THE MEETING HELD ON 28 JUNE 2012**

AGREED:        to approve the minutes of the meeting held on 28 June
               2012.

**12.37**   **MATTERS ARISING AND ACTION PROGRESS REPORT**

There were no matters arising.  The updated action progress report at
page 13 was noted.

**12.38**   **INTERNAL AUDIT**

1) Examinations

RSM Tenon introduced this item and confirmed that an overall green
opinion has been given. It was noted that only three low
recommendations were made, these can be found on pages 20 and 21.  It
was accepted that the move to centralisation was a work in progress at
the time of the audit and that practices have inevitably moved on since
that time.  Auditors felt that their work showed good reviews with the
College actively working towards centralisation.

Members reviewed the detail of the report and questioned whether the
budget figure for examination costs, (as detailed on page 17), when
compared with the lower than expected actual fee was unusual.  Whilst
members were pleased that the College had come in under budget, they
questioned why there was almost £150k difference.  The Director of
Finance explained that the curriculum plan was over optimistic in relation
to recruitment of student numbers and, therefore, as a consequence
there were fewer examinations undertaken.  He indicated that a prudent
view was always taken regarding the examination fee budget because it
would be the wish of the College to recruit the maximum number of
students permissible.  However, if the College is unsuccessful in recruiting
to target, then there is an understandable reduction in exam fees.

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.

AGREED:        to note the content of the report.

2) Subsidiary Companies – BKSB

Internal Auditors introduced this item and confirmed that their work had
been carried out on an 'advisory' basis only. Members` attention was
drawn to page 2 of the report and the conclusion paragraph at 1.2.  What
is clear is that the company needs further investment to support growth.
This could be done in a number of ways, including other avenues and
alternatives for investment.  It was noted that the Company is looking to

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break into the international market, and this comes with financial risks and time commitment.

Members` attention was drawn to the action plan at page 33. Members discussed how the Company looks to measure its 'impact'. The Director of Finance confirmed that the Company carries out case studies with end users, eg, Quarrydale School, where they have very clearly seen improvements in Maths and English and this is directly attributable to the BKSB product. He indicated that customers do recognise that BKSB has made a contribution to improvement and progress and that these comments are captured and used in marketing.

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| In terms of the business plan for the Company, it was noted that a business plan does already exist, but further development work is being undertaken to change the strategy, and that this will be presented to the College Board in March 2013. | FD — March 2013 |

Members were assured that a lot of work is currently being undertaken regarding the Company and indeed a piece of work has been commissioned by an external consultant, former Chief Executive of Experian. He is to summarise the current strengths and weaknesses of the Company, the opportunities and give advice on how to take the product to the next level. The Company is working with him to develop the existing business plan.

AGREED:         to note the report provided.

3) Draft Annual Audit Report 2011/12

Internal Auditors introduced this item and confirmed that the report provides a composite summary of audit activity for the year ended 31 July 2012. Members` attention was drawn to page 51, paragraph 2.2, which is the internal audit assurance statement. It was acknowledged that the remainder of the document summarises the audit work undertaken, with appendix A being the assurance map, and appendix B tabulating the reports completed.

Members all felt that the report was self-explanatory and were happy to recommend its approval to the Board.

AGREED:         a) to note the content of the report.
                b) to recommend that the Board approve the same.

4) Updated Internal Audit Plan for 2012/13.

Internal Auditors introduced the draft strategy document and reminded Governors that, at the last meeting, the decision had been made to review and reprioritise identified areas. Appendix a) provides an outline three-year strategy, but what is more important is appendix b), which shows the planned work for the 2012/13 academic year.

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Members` attention was drawn to page 67, which details the items to be audited. Members were assured that each of the items identified have been cross referenced to the College`s own risk register and that, as a result, the Committee can take comfort and confidence in the fact that risks have been clearly mapped.

The areas to be audited are:

1) Financial planning, budget setting, monitoring and forecasting.
2) Capital projects – value for money/mid project review.
3) Estates management.
4) Apprenticeships (funding related audit).
5) Learner number systems (funding related audit).
6) Governance – a review of compliance with the Foundation Code of Governance.  Auditors indicated that there were some new appendices that have been circulated for consultation.  It was agreed that Internal Auditors would provide the Clerk to the Corporation with copies of these appendices.
7) Risk Management.
8) Key Financial Controls.
9) Significant Partnerships.
10) Framework for compliance with legal requirements, data protection and freedom of information.
11) Follow up.
12) Management.

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| | IA | Sept 2012 |

It was confirmed that the Internal Audit Team have met with the College over the summer and have discussed in detail priority areas, and that this timetable put forward is a jointly agreed position.  Members were entirely happy with the updated document.

AGREED:        to approve Internal Audit Plan for 2012/13.

**12.39**        <u>**AUDIT PROGRESS**</u>

1) Composite College Recommendations Report

The Director of Communications, Marketing and Learner Engagement introduced this item and confirmed that all recommendations from the previous external audit have been completed.  It was noted that the College is currently expecting a new Management Letter and any recommendations provided would be included within the subsequent composite report.

2) Progress against Internal Audit Recommendations

The Director of Communications, Marketing and Learner Engagement introduced this item and indicated that there were two items still from the 2010/11 audit year outstanding.  Members` attention was drawn to page 75.  It was estimated that all of the work required will be complete by December 2012.

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Members were advised that there are four recommendations still outstanding from the 2011/12 audit work. Particularly drawn to members` attention was page 80 and the Student Support Strategy to be devised. It was noted that an overarching strategy for the whole service is in draft format and that this should be completed shortly.

Members agreed that the report was self-explanatory.

AGREED: to note the update provided, including reasons for non-implementation of outstanding audit recommendations.

**12.40    AUDIT SERVICES -  ADDITIONAL NON-AUDIT WORK UNDERTAKEN FOR 2011/12**

The Director of Finance introduced this item and confirmed that his report provides the Committee with a response to the points raised at the last meeting concerning the recommendations made by the Skills funding Agency PFA Team in their review of the control environment as part of the inspection visit. In essence, the recommendation was that the Committee should be made aware of additional services provided either by the internal or external audit service, in order to be satisfied of the independence of the service providing its primary duty. All acknowledged that it is important that the independence of internal and external auditors and reporting to Governors, Non-Executive Governors and West Nottinghamshire College does not appear to be compromised, but equally the College should not be deprived of expertise where it is needed, can be leveraged as its appointed providers as a whole.

The Director of Finance confirmed that Andy Argyle at KPMG has helped to formulate a policy regarding non-audit work, and this has been developed using an NHS policy precedent.

Members` attention was drawn to paragraph 4.1, which sets out three potential different types of additional audit work. For each type of work there would be a different process for authorisation and reporting. He summarised as follows:

1) Statutory and audit related work not requiring Audit Committee approval – this is types of work that does not need formal approval up to a level of £5k.
2) Audit related and advisory services requiring prior Audit Committee approval - these are particular projects requiring prior approval through the Audit Committee Chair and the Director of Finance.
3) Projects that are not permitted. Members` attention was drawn to annex a, which gives some examples of the types of work involved. This is not an exhaustive list, just a 'flavour' of what may or may not be undertaken.

Members were entirely happy that the policy as set out in section four provided the necessary protection required regarding independence.

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AGREED: to approve the Audit Services additional Non-Audit Work Policy.

In terms of additional work undertaken in 2011/12, members` attention was drawn to paragraph 6.1, the additional following work was included:

- Review of Governance structure and subsidiary companies - £4k.
- Review and recommendations supporting creation of a single employer responsive unit - £9900.
- Fee in respect of funding audit readiness - £300k.

KPMG confirmed that they, as an organisation, also have their own internal independent checklist and this should give the Committee even more comfort and confidence.

Members were happy to note the additional external audit service work commissioned in 2011/12.

AGREED: to note the content of the report.

## 12.41    RISK MANAGEMENT

1) College Register

The Director of Communications, Marketing and Learner Engagement introduced this report and drew Members attention to the detail on page 90 and the risk register on page 92 onwards. She indicated that it was too early in the year to downgrade any scoring, but that following review by the College`s Risk Management Group, some content changes are proposed. Members` attention was drawn to paragraph 2.1, which details the content changes proposed, the following was specifically commented upon:

- Risk priority 2 – Hair & Beauty have actually overshot their recruitment target.
- Risk priority 9 – the College is marketing to recruit and support adults in HE given the increase in fees. The College has contacted every individual who initially expressed an interest to ascertain why they have not taken up a place, a number of issues were identified which include:
    1) Fees – quite clearly a significant influencing factor in the adult market.
    2) Clearing has been very interesting this year - universities have dramatically dropped their entry requirements.
    3) 10% of student numbers for the University of Nottingham, came through its own clearing process over the summer, this is an unprecedented high percentage.
    4) The College is reviewing its HE offer, with Patricia Harman and Louise Knott meeting with all Head Teachers.

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5) There is the expectation that 2013/14 will be as challenging a year. It was acknowledged that nationally the HE picture is very challenging and that the under recruitment seen at College was not an isolated picture.

Members discussed HE provision generally and were advised that the in-year impact of under recruitment will be limited because the College has now exceeded its tolerance target. There will be no significant financial impact in year, but there will be an impact in 2013/14 in that reduced allocation numbers will be awarded. Given that the College is currently 25 students short of the actual target, the knock on consequence is that in 2012/13, there will be 25 less students paying fees. The Director of Finance confirmed that he had set a very prudent budget for HE provision and that as a consequence the College was actually currently performing better than the budgeted position.

It was noted that the new facilities will seek to progress the development of commercial income and that it is envisaged that some of this will offset and mitigate the identified risks.

AGREED: to note the contents of the report and approve the removal of risk priority 2 and 9 from the College`s Risk Register.

2) Top 10 KPI Model

The Director of Communication, Marketing and Learner Engagement introduced this item and drew members` attention to page 112. She reminded Governors that this had been drafted following an action point at the previous meeting. Members all felt that the report was very useful and requested that it be scheduled as an agenda item at each meeting.

*Director C&M — Standing Item*

In discussion, members indicated that they would wish the College Executive to investigate how to establish and summarise key external environmental influences that are key KPI's. They would wish to seek better communication regarding the points of exposure. It was believed that the economic indicators which are a risk to the College could be pulled out of the business plan and monitored/reviewed on a quarterly basis. If these are linked in to the mission and values, then whilst not being able to entirely mitigate the risks, it would give the Board and the Executive a mechanism for looking at trends.

*Director C&M — 14 Feb 2013*

3) Subsidiary Company Arrangements

The Director of Communications, Marketing and Learner Engagement introduced this item and drew members` attention to the content of her report on page 114. She confirmed that all of the risks identified had been individually considered by the subsidiary Boards. The following was specifically noted:

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a) Safety Plus Training & Consultancy

The risk register for Safety Plus Training and Consultancy identifies three risks related to their operations, there are no risks scored on the risk register above medium risk. The most significant risk relates to the integration of Safety Plus into the single business unit. Significant work has being done in this regarding the overall residual score for the risk is at a six (or medium risk). The only other risk on the register relates to the reliance on public funding, and has been scored with the residual risk of four.

b) BKSB Skilldrive

There are seven risks contained in the BKSB register, one risk falls within the category of high (achievement of income targets). The remainder fall in the category of low/medium risks. The significant risk relates to the failure to deliver the growth plans for BKSB. Regular reporting arrangements are in place to monitor the progress against business plan targets and are considered by the Board as substantive items on their agendas.

c) Vision Apprentices

The only risk contained within the Vision Apprentices register relates to the target for 16-18 apprentices, and this is closely linked to the risk on the College`s Corporate Risk Register.

One piece of work to be undertaken by the Director of Communications, Marketing and Learner Engagement is to look at standardisation regarding the content and format of the risk registers.

AGREED:          to note the update provided.

**12.42      REGISTERS ATTENDANCE AND RECORDING**

The Director of Finance introduced this item and confirmed that what was presented was a very early update, the following was noted:

a) Timetabling Process and Status

- All timetabling staff received refresher training in May 2012. Some of these also received additional one to one training where their level of knowledge suggested the need for additional support.
- The schedule for inputting of 2012 timetables was agreed with Schools of Learning in January 2012. Extensions to deadlines were granted due to inspection, but all entries should have been completed by 4 July.
- However, there were still significant gaps at 8 August 2012, despite extensive chasing and follow up work by the Resources and Processes Team. The final deadline was set at 9 August 2012, and the team

Director C&M    Feb 2013

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then began allocating rooms to the large volume of requests that they had received centrally. These were processed in time for the system to be reopened to Schools of Learning for four weeks from 20 August.

- However, some final allocations which the Central Team needed to make were held up until 21 September by one School of Learning wishing to place study bookings in any free slots in their rooms.
- The Central Team provided significant support over the summer in some areas. They completed all of the entry for Hair & Beauty, large amounts for Construction and some for Care & Media. The Construction area has specifically commented upon how their timetables have been much more accurate this year due to the support of the Central Team.
- Currently all activities are timetabled. The Team is processing a large volume of requests on a daily basis for amendments to core starts and end dates/times, PC room requests in exchange for original classroom booking and additional rooms for activities. However, much of this is routine work, which the Team would expect to support.
- As a result of the timetabling process over the summer of 2012, the Team will consider the benefits and drawbacks of providing a more comprehensive central service, specifically around main timetabling. If resourced appropriately, more detailed knowledge of the system should result in increased accuracy and efficiency in setting up the timetables. However, this would have to be considered in the context of the lack of detailed knowledge in how the curriculum is delivered in each of the Schools of Learning.

Members` attention was drawn to page 131, which shows that there were 3271 timetabled activities due to start on 21 September 2012. Of the 3271, 1373 registers were created, but 678 were not marked. 1220 registers were not created at all.

It was acknowledged that this is not a healthy picture, but that as the College is only two weeks into the year, it is not a disaster. The Director of Finance confirmed that all of this information is sent to the Heads of School on a weekly basis and that they are very aware of the fact that this poor practice needs to be improved. It was noted that once the registers are in place, the College will then look to monitor timely completion of registers. To focus staff`s attention, College Management will be turning off the ability to 'flood-mark' on the system, as this is a risky mechanism for clearing backlogs. It was agreed that for all meetings, this would remain as a standing agenda item so that there is the ability to monitor registers and timely completions.

Members were advised that Management did not have concerns that registers were not being completed, but that what they suspect is happening is that a lot of manual recording of attendance is still undertaken. This is a practice that has to be eradicated as it duplicates time and leads to inefficiencies.

FD    Standing Item

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b) Policy agreed regarding Reporting & Actions

The Resources & Process Manager will send data to Heads of School on a weekly basis to show all activities which are timetabled and should have started. It will indicate whether a register has been created for each activity and whether the register has been marked. It is anticipated that this will give Heads of School much more responsibility to ensure proper processes are followed.

c) Changes to Course Structure

Programme codes and specific C2K codes were created and linked to each main aim prior to full time enrolment commencing on 21 August 2012. Separate functional skill codes have not yet been created for each programme due to the level of detail required and amount of work to create the hierarchy, these will be set up for use in 2013/14. Timetables are now viewed by opening the programme code, this means that the main aim and tutorial activities can be displayed, and feedback to the Central Team has been very positive.

Members reviewed the report as a whole, and agreed that whilst there were still significant issues to address, the College was moving in the right direction.

AGREED:     to note the update provided.

**12.43    AUDIT SERVICE SECTOR UPDATE**

Auditors commented upon the following:

- KPMG external audit commences on Monday for the next two weeks.
- FMCE – there is no longer a requirement to file this with the SFA. The SFA do still intend to undertake audit work, but this will be approximately 10 to 12 Colleges per year, and these Colleges will be identified on a risk based approach. It is highly unlikely that the PFA Team will be visiting the College in the near future.

Members discussed the benefits and disadvantages of completing the FMCE questionnaire. It was acknowledged that it was a time consuming exercise. Members did feel that it might be of benefit to complete the short return questionnaire as this would provide a mechanism for identifying areas for improvement. It was agreed that at the next meeting the short questionnaire would be presented.

*Director of Finance/ Clerk*   *Nov 2012*

**12.44    AOB**

There were no items of additional business.

Signed : _____Chair                 Date:

**12.45** <u>**DATE OF NEXT MEETING**</u>

The Clerk to the Corporation confirmed that the next meeting was scheduled for 8 November 2012.

Auditors left the meeting at 6.15 pm.

**12.46** <u>**CONFIDENTIAL MINUTES OF THE MEETING HELD ON 28 JUNE 2012**</u>

AGREED:     to approve the confidential minutes of the meeting held on 28 June 2012.

Meeting closed at 6.20 pm.

Signed : _____Chair                    Date: