WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE

Minutes of the Audit Committee meeting held in the Boardroom at the Derby Road site on Thursday 13 February 2014 at 5.05 pm

BOARD MEMBERS PRESENT:	Chris Bodger David Overton (Chair)
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Martin, Deputy Principal/Director of Finance Asha Khemka, Principal & Chief Executive Tom Stevens, Executive Director: Capital Projects & Estates Louise Knott, Director, Communications, Marketing & Learner Engagement Andrew Argyle, KPMG Louise Tweedie, Baker Tilly Sasha McCarthy, Director: Employer Engagement (until 5.35 pm)

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

		ACTION by whom	DATE by when
14.01	**DECLARATIONS OF INTEREST**		
	The Chair reminded those present to declare any interests that they may have on any items on the agenda. No interests were declared.		
14.02	**WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENSE**		
	Apologies for absence were received from Diana Meale. Absent without apologies was Chris Winterton. Sasha McCarthy was welcomed to her first meeting, it was noted that she would be presenting agenda item 8 which is a summary of partner activity.		
14.03	**MINUTES OF THE MEETING HELD ON 7 NOVEMBER 2013**		
	AGREED: to approve the minutes of the meeting held on 7 November 2013.		
14.04	**MATTERS ARISING AND ACTION PROGRESS REPORT**		
	Members reviewed the minutes and the Action Progress Table and noted/commented upon the following: • Page 2 – the partner activity report requested is on the agenda. • Page 11 – the Director of Finance confirmed that the employer satisfaction percentage rate figure was correct at 80% and therefore		

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20% were dissatisfied or not satisfied. All agreed that this was a concern and needed to be improved as a matter of urgency. All agreed that there was a need to resurvey and, because this figure was unusually high, the team needed to drill down and establish exactly what had led to the areas of dissatisfaction. In terms of partner activity all agreed that there is a need to look at processes to ensure that there is consistency for everyone and that expectations established are met. It was noted that Sasha McCarthy is now in post and will be reviewing how the College team works with employers and it is envisaged that this will bring about improvements. In terms of the statistics, it was clarified that 80% indicated that they would recommend the college but that 20% would not. All felt that this was a real problem to address. The Principal indicated that the College feels confident that it knows the issues to address. These are:

a) Lack of Assessor quality
b) Lack of consistency
c) Inconsistent support
d) Lack of Employer/Assessor knowledge about the College

She accepted that management had not done enough to address the issues and that it remains an area to improve upon. Sasha McCarthy confirmed that she was taking more of a personal responsibility in relation to this area and that, as a consequence, the Board should in time see some marked changes in terms of employer perceptions. Governors indicated that there may also need to be a reassessment of the survey process and structure to ensure that targeted and pertinent questions are asked rather than just general/generic questions. All acknowledged that there was a serious issue regarding delivery to address and that the employer perceptions survey results have fallen from previous years which also, in itself, makes it an urgent problem to resolve. It was agreed that an Actions Report/Update would be presented at the next meeting clarifying the steps being taken to address the negative employer comments in the survey.

Sasha McCarthy	3 April 2014

Members were happy to note the content of the Action Progress Table.

AGREED: to note the update provided.

14.05 <u>PARTNER ACTIVITY</u>

Sasha McCarthy introduced this item and drew members` attention to the report at page 92 in the pack. She confirmed that she had started working at the College on the 1 October and was part of Graham Howe’s team. She drew members` attention to the detailed report and confirmed that this summarises the close monitoring arrangements in place.

Governors were advised that the College currently has 80 external partners with an approximate £12 million budget. She explained that the

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team were in the middle of a mid year reforecast and, as a consequence, the budget and likely income to be achieved would be reviewed.

In terms of the policies and procedures which manage partner activity she confirmed that key items were:

- Partnership performance management framework
- Prequalifying questionnaire
- Risk register procedure
- Procedure supply chain fees

Members reviewed the summary of key risks to the 2013/14 success rates based on volume of expected achievements and noted that there are 40 partners showing as having learners with an expected end date in the current contract year. It was explained that of the 40 partners with achievements due in the 13/14 contract year, 11 partners have more than 100 learners with expended end dates in this contract year and are accountable for 75.8% of the total achievements due in the year for partnerships.

Of the top ten partners, three are under close scrutiny and of particular concern at the current time are Steve Walker Associates and Reed in Partnership who show last year as having a 0% success rate. Whilst Steve Walker Associates is only based on 3 being due, Reed is due to complete 66 learners in the previous contract year. In the 13/14 contract year both partners have a sizable jump in the number of learners due to achieve in year with Steve Walker Associates being the second largest partner with 333 learners and Reed being the fifth largest partner with 249 learners due. Collectively these two partners will be accountable for 16.5% of all achievements due through partnerships in this contract year. Both of these partners are also in the top six partners for out of funded learners for 12/13 contract year with Reed being accountable for 11.6% of all out of funded learners and Steve Walker Associates being accountable for 7.1% of all partnership out of funded learners. With such a sizable jump in volumes of achievements due and based on minimal previous outcomes, these two partners provide a significant risk to this year’s success rates. The QTLP team at Quarter One risk rated Steve Walker Associates as red no risk rating for QTLP is available for Reed as no active contract in this contract year.

It was explained that, based upon previous and current activity and achievement, all partners are RAG rated although it was acknowledged that the College needs to develop better language and smarter time targets for partners with some significant consequences for failure to hit the targets set.

In relation to key risks to the 13/14 overall success rate based on volume of OOF learners carried over from 12/13 contract year, it was now noted that there are 27 partners showing that they have carry over learners that should have achieved in the 12/13 contract year. All acknowledged that this was quite disappointing and that much more effective deadline

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setting was required together with the quick closure of these learners. Members were advised that six partners have more than twenty learners out of funding and collectively these six partners are accountable for 68.6% (366 learners) of all out of funded learners. It was noted again that Reed in Partnership and Steve Walker Associates account for a sizable number of achievements due in the contract year and therefore are key partners to the success rates in this contract year.		
Members` attention was drawn to page 97 of the report which summarises the partnership management framework. It was acknowledged that the College, to date, has not had processes in place which are effective enough and these need to be strengthened to ensure that potential issues are identified and actioned much earlier.		
The Director of Finance indicated that partnership activity and the current processes in place need to be taken in the context of SFA expectations and their much tougher controls and higher expectations regarding colleges who do subcontract. He explained that all subcontractors now have to be on the register of training organisations if any contract awarded is valued higher than £100k. In addition to this, the funding rules require colleges not to contract with companies who have an above average credit risk. In terms of the A – D credit scoring, he confirmed that companies with a D risk would never be accepted as partners and anyone with a C credit risk would only be awarded low contract volume/values.		
In terms of quality it was explained that the QTLP team visits partners and carry out observations and these lead to decisions regarding contract values actions to be taken etc.		
It was explained that, in the future, the College`s expectation is to work with fewer partners who are of a better quality and this should make the whole relationship with partners much easier to manage and monitor. It was confirmed that liaison between the finance and the partner team is well placed and decisions are taken on a collaborative basis with all risks factored into the process. It was acknowledged that the challenge in the sector is to get only high quality partners and that currently the College has a mix and needs to shift the risk in this area. It was acknowledged that partner activity within the sector and for the College specifically has always been deemed as a high risk area hence this reporting mechanism to the Audit Committee. It was acknowledged that not all partners are poor performers and indeed there are some partners who outperform the College in particular areas.		
Members were advised that the team are currently carrying out a number of partner investigations as a consequence of whistle blowing. Members were advised that a report will be provided at future meetings depending upon the outcomes seen from the investigation.	Sasha McCarthy	April 2013

In terms of improvements, Sasha McCarthy confirmed that performance reports are produced bi-monthly in order for all managers and personnel to action and monitor. Additional resource to manage high risk partners has been instigated including robust learner voice activity. Where continued concerns have arisen, partners have been placed on stop and at this time there are two formal investigations related to alleged irregularities underway with partners.

AGREED: to note the content of the update provided.

(Sasha McCarthy left the meeting at 5:35 pm)

14.06 INTERNAL AUDIT

1) Internal Audit Progress Report 2013/14

Louise Tweedie introduced this item and drew members` attention to page 16 of the pack. She confirmed that field work was progressing as planned. It was noted that a full review of the partner selection process was scheduled for late March with a report to the June Audit Committee meeting. All acknowledged that this was important given the prior discussions.

AGREED: to note the update provided.

2) Governance and Risk Management Accountability Review

Louise Tweedie introduced this item and confirmed that the accountability review introduced is determined on a risk based approach. She was happy to confirm that a green audit conclusion had been made. Members` attention was drawn to the recommendations on page 22, all of which were deemed as low risk. In relation to the action for auditors to provide an update in relation to the JCOP requirements, it was confirmed that this would be considered at item 9 later on the agenda.

AGREED: to note the content of the update provided.

14.07 PROGRESS AGAINST INTERNAL AUDIT RECOMMENDATIONS

The Director of Finance introduced this item and summarised the actions outstanding from the 9/10, 11/12, 12/13 and 13/14 academic years and the following was noted:

- 9/10 – there is still one residual issue. Resolution of this action point is slightly more complicated than envisaged because the College is now changing its payroll and finance systems. He explained that the College can create a teaching log but still has to have a manual system in place for over hours. In terms of the update provided he confirmed that the College does intend to move ahead with the action but that it is challenging. The different payroll and HR systems to be introduced need to be able to integrate with registers and this

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is not always easy to achieve and goes to the issue of timeliness of the information available. He gave assurance that the College would implement the action but would only do so when it was confident of the systems in place.

- 11/12 – all actions from the 11/12 year recommendations have now been completed.
- 12/13 – from the 2012/13 recommendations there are currently six actions to be implemented of which two are medium risk and four are low risk.
- 13/14 – from the 13/14 recommendations there are currently two actions which are both low risk.

Members reviewed pages 51 onward which gives the detail and update regarding the actions outstanding.

In terms of progress against external audit recommendations it was confirmed that all actions for the 11/12 year have been implemented and nothing is outstanding for the 12/13 year.

AGREED: to note the content of the update provided.

14.08 **RISK MANAGEMENT**

The Director of Communications, Marketing & Learner Engagement introduced this item and confirmed that the purpose of her papers were to provide members with an update on the Corporate Strategic Risk Register. This follows a review of the Risk Register by College's senior management team on 20 January and following submission of risk registers from both service and school teams. The following items were specifically noted:

- As a result of audit recommendations, the way in which the College collects team based risks has been slightly changed this year. Rather than collecting risks and risk scores through the self assessment processors, Schools of Learning and services are now asked to provide a Risk Register for their area, which identifies key risks and risk scores. The deadline for submission was 20 December 2013.
- An examination of the Risk Registers supplied by particular Schools of Learning and services areas have highlighted no further issues of significant risk apart from those already identified within the Corporate Strategic Risk Register. Perhaps, unsurprisingly, risks related to the quality of teaching and learning and student success scored more highly amongst School of Learning Risk Registers. However, no School of Learning has indicated that these should be considered a high risk. Two Schools of Learning highlighted their school contribution as high risk (Lifestyle Academy and Business and Continuing Education). These are identified within regular finance reports and actions are being taken to address issues.
- Within service teams issues of capacity and resourcing score more highly than any other risk. However, they are not scored as high risk by any service.

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- There are, therefore, no risks added to the Risk Register resulting from this process.
- The Executive Team met on 20 January to review the strategic risk register presented in November. In examining changes to the Colleges risk environment they made a number of changes:
  a) Continuing issues in relation to the performance of VWS led to residual risks been re-scored to 20 (now the most significant risk on the register) with the probability score being moved to five. This has elevated this risk.
  b) Risk related to financial stability was re-graded to 16 largely as a result of the impact of VWS under-performance on the College Group finances. This has moved from a medium level risk back to high level risk as a result.
  c) Risks related to College positioning have been downgraded to medium risk. In the main this is due to the College`s continued growth and positive reputation.
  d) Risk related to Studio School implementation was rescored as a high risk – this is largely as a result of the very tight timescales linked to the refurbishment programme and submission and agreement of the funding agreement in a timely fashion.
- Contingent Risk Register – very few changes were made to the contingencies register. Members were asked to note that actions identified at risk 12 have now been completed. An action has been added at risk 17 to note that separate data protection registration is needed for subsidiary companies and a new risk was added to risk 19 to note the potential distraction of the BKSB management team from their core UK market as a result of their international developments.

In reviewing strategic planning risks, members reviewed page 67 and the risk area ‘meeting targets related to work related learning, in particular performance of VWS’ it was acknowledged that VWS does stand on its own two feet but does take up part of College staff time. It was confirmed that the VWS Risk Register is a separate document and is owned by the VWS Board of Directors.

In reviewing page 69, members raised some concern that the source of assurance relating to the SAR process including external validation was described as a ‘no’. Members felt that this was better described as a ‘work in progress’ as there was a belief that this would turn to a` yes` by the end of the year, particularly as the College is currently going through the process of mock inspections. It was acknowledged by all that a lot of work has been done in this area and therefore a simple ‘no’ perhaps does not reflect the current position accurately.

Members` attention was drawn to page 83 which summarises the top ten KPI’s. It was explained that the purpose of the paper was to provide progress on achievement of key KPIs related to the College`s risk mitigation activity. It was explained that in most cases good progress is been made against actions required and of particular note are:

- Overall success rates improved in 12/13 and now place the College closer to the upper deciles within this sector. However, members may wish to note that there are still issues with 16-18 long qualifications and 19+ long qualifications across most levels.
- College teaching and learning observation profile is 81% good or better, an improvement of 3% on last year.
- The College`s reputation continues to be strong and, as a result, progress has been assessed as green/amber against this overall risk.
- Good progress has been made on the roll out data system such as the student ILP and pro monitor with 33% increase in take up on the same point last year.
- Good progress has been made with regard to Studio School applications with 75% applications received for September 2014 (45 Year 10 and 49 Year 11 applications).

It was, however, again noted that there has been a significant worsening of risk related to Work Related Training and Vision Workforce Skills and whilst actions are in place to mitigate this risk for the remainder of the year at the current time little progress has been made to date against this KPI.

Members` attention was also drawn to page 90 which is an Annual Report which summarises the Economic Risk Environment, the following was specifically noted:

- There is a growing level of confidence in the fact that the country seems to be coming out of the recession period. Whilst recovery is fragile it has been maintained for three consecutive quarters. The figures released towards the end of January placed Britain ahead of all other European countries in terms of growth. This may well result in improved employer confidence and, ultimately, willingness to take on new employees through the apprenticeship route. In turn, this should favourably affect the College`s apprenticeship recruitment.
- Both the city, county and district councils have signalled their continued commitment to employ and work to progress the apprenticeship agenda particularly for young people. The College`s heightened profile locally and nationally may well give the College the advantage.
- In terms of external risks to which the College is exposed perhaps the biggest risk currently is the proposal that employers would directly fund apprenticeships in the future through the tax system. Whilst this will not come into effect for a couple of years and therefore does have time to change, if implemented would pose a significant risk to colleges in terms of their cash flow position.
- There are also proposals from the DfE to reduce the amount of funding that is available for 18 year olds. Under current proposals funding for 18 year olds will be reduced by 17.5%. This proposal, whilst challenged by all sector representative bodies, is likely to become policy. It was explained that the likely financial impact to the College would be circa £300k.

- The introduction of 24+ Advanced Learner Loans has had an impact, with the College experiencing a 63% reduction in the number of 23+ students undertaking Level 3 courses compared to the previous year. Whilst this currently represents a relatively small cohort of students, should the policy extend to a wider group, say from 19+, this could have significant impact upon the College.
- There is a longer term risk associated with the general election in 2015.

In addition, the Director of Finance confirmed that colleges have recently received the Skills Funding Statement which gives an initial indication that 2014/15 will see an 8.5% reduction in the Adult Skills budget and for 15/16 this reduction could increase to 11.1%.

By comparison Maths and English development and recruitment are flagship initiatives for the Government. Current proposals are to offer a golden handshake for maths teachers (£20k) with a significant commitment to CPD. The Government`s focus on Maths and English provides a real opportunity for the BKSB product and the College.

AGRED: to note the content of the update provided.

14.09 AUDIT SERVICE SECTOR UPDATE

Louise Tweedie introduced this item and circulated presentation slides summarising the Joint Audit Code of Practice part two and board assurance. Her presentation provided a summary on:

- Statutory and other responsibilities and accountabilities
- Key elements of JCOP
- JCOP the Audit Committee Annual Report
- JCOP the implications
- Key issues for Management Audit Committee and Corporation
- Board assurance

Members reviewed the content of the presentation pack provided and all agreed that it was a very useful update.

AGREED: to note the content of the presentation provided.

14.10 AOB

There were no items of additional business.

14.11 DATE OF THE NEXT MEETING

The Clerk to the Corporation confirmed that the next meeting was 3 April 2014. It was agreed that the start time of this meeting would move to 5.00 pm not 4.00 pm.

Meeting closed at 6.20 pm.

Signed : ____________________________Chair Date: