



**WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE**

Minutes of the meeting held in the Board Room at the Derby Road site on Thursday 16th April 2015 at 4.00 pm

BOARD MEMBERS PRESENT: Chris Bodger
Chris Winterton
Diana Meale
David Overton, Chair
Neil Robinson (external co-optee)

ALSO IN ATTENDANCE: Andrew Martin, Deputy Principal/Director Finance
Louise Knott, Director: Communications, Marketing and Learner Engagement
Dame Asha Khemka OBE DBE, Principal and Chief Executive
Sacha McCarthy, Director of Business Development and Employer Engagement
Dan Hayward, KPMG
Louise Tweedie, Baker Tilly

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

	ACTION by whom	DATE by when
<p>15.01 <u>DECLARATIONS OF INTEREST</u></p> <p>The Chair reminded those present to declare at the start of the meeting any interests in matters to be considered. No interests were declared.</p>		
<p>15.02 <u>WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u></p> <p>Apologies for absence were received from Tom Stevens, Andrew Argyle, KPMG and Patrick Green, Baker Tilly.</p> <p>Neil Robinson the new external co-optee to the Committee was welcomed to his first meeting and round table introductions were made. Neil Robinson confirmed that his background was in finance and that he currently works for the local authority. He explained that he has a strong and sustained interest in the education sector and therefore is very pleased to have been invited to participate in College activities.</p>		
<p>15.03 <u>MINUTES OF THE MEETING HELD ON 12TH FEBRUARY 2015</u></p> <p>AGREED: to approve the minutes of the meeting held on 12th February 2015.</p>		

Signed : _____ Chair

Date:

There were no matters arising.

15.04 ACTION PROGRESS REPORT

Members reviewed the action progress table and agreed/noted a number of matters:

- Items 1 & 3 to be amalgamated – this is a work in progress.
- Item 2 – completed. The Clerk was advised that the name of Neil Robinson was incorrectly referred to in the table. The Clerk confirmed that this would be rectified on the next occasion.
- Item 4 – the Deputy Principal confirmed that the safeguarding matter raised by internal auditors was an error on the part of the College. He explained that procedures in place had not been adhered to and it was a matter of a failure to comply rather than appropriate systems not being in place.
- Item 5 – Mark Albrighton has now placed details of the staffing structure on the College website.
- Item 6 – the Deputy Principal explained that what had been requested would not be a standard module within the new HR and payroll package but that Gavin Peake has indicated that a bespoke review could be undertaken at a later date.
- Item 7 – completed.
- Item 8 – outstanding.

AGREED: to note the content of the update provided.

15.05 INTERNAL AUDIT

1. AUDIT REPORTS FOR 2014/15

a) Work Related and Employer Responsive Provision

Louise Tweedie introduced this item and drew members' attention to page 1 which provides a conclusion in relation to the audit work. Their view is that taking account of the issues identified the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective. However, they have identified issues that if not addressed increase the likelihood of risk materialising in this area. A low amber RAG rating has been given. 2 medium and 3 low priority recommendations have been made.

Members' attention was drawn to page 4 where the 2 medium priority recommendations were discussed.

- 1.3 – the strategy should be reviewed and updated to reflect the new remit of the activities undertaken by the Business Development Unit. It was confirmed that this will be completed to ensure that it forms part of the wider College strategy. The implementation date proposed is June 2015.

Signed : _____ Chair

Date:

- 1.8 – in respect of Salesforce
 - a) The implementation of Salesforce and the tailoring of the data fields to ensure they meet College requirements should be completed so that the system provides a useful CRM facility.
 - b) Once the implementation of the system is completed the reporting requirements for the Executive Committee and the Corporation Board should be defined.
It was confirmed that full implementation and development for the CRM administrators has been conducted in order to utilise the system, all areas of employer engagement to feed into the CRM to ensure that reporting is an accurate reflection of business generated and stored. It was confirmed that this action would be implemented for the start of the next contract year, 2015/16.

AGREED: to note the content of the report provided.

b) Key Financial Controls

Louise Tweedie introduced this item and drew members' attention to section 1.2 which is the conclusion. As in the prior report a low amber RAG rating has been given. She explained that this was a large piece of audit work with a lot of different areas considered. Members' attention was drawn to section 1.3 which shows the areas reviewed. Perhaps unsurprisingly, because of the large audit undertaken, there were a number of recommendations made, 6 were medium and 8 low. It was agreed to take the medium priority recommendations for discussion with the low recommendations simply for noting.

- 2.5 – payments to supplier should be made within 30 days of the date of receipt of the invoice where goods and/or services have been satisfactorily received. It was explained that this requirement has been introduced in response to the Public Contract Regulations which came into force in February. This requires public organisations to pay within 30 days of the invoice date rather than within 30 days of the month end. This could mean that the College would be required to make a payment run every day. The College needs to avoid this as there are additional costs in terms of staff time and transactional activity. As a consequence it may be the case that some suppliers are paid earlier than 30 days. It was explained that the College's present approach to compliance is to pay invoices at the end of the month following the invoice, with a midmonth run to capture any items for which approval was not received in a timely manner. It was agreed that this achieves the required balance.
- 2.7 – in respect of credit cards
 - a) The credit card holder agreement should be retained by finance to ensure that both the individuals and members of finance are fully aware of credit card purchasing limits for each user.

Signed : _____ Chair

Date:

b) Credit card holders should, as a minimum, sign the statements to confirm the purchases made had been properly incurred on College business.

c) Credit card statements should be independently reviewed after they have been signed by the card holder.

This has been agreed although the Committee were advised that there are only a very limited number of College credit cards. What the College does have is a greater amount of procurement cards it was acknowledged that similarly robust processes need to be in place for these as well as credit cards.

- 4.2 – control account reconciliation should be signed and dated as prepared and reviewed in a timely manner. It was acknowledged that what is proposed by the College is a reasonable approach to the solution.

- 4.2 – the finance department should ensure asset verification exercises are undertaken on an annual basis, especially for IT equipment which has a high inherent risk and disposals should be managed and documented appropriately. The Committee questioned whether the register proposed was going to be done on a department basis rather than at finance department level. The Director of Finance explained that the key challenge for the College relates to IT equipment as there are in the region of 3,500 laptops. He explained that the College just needs to adopt a proportionate way to check the register and that there are a number of different options being reviewed to try and address. The Committee Chair suggested that perhaps the verification process could be tied in to PAT testing requirements.

- 2.3 – in respect of journals

a) Journals should be signed and dated as authorised by the Head of Finance. This will demonstrate the segregation of duties in place as between the preparing officer and authorising officer.

b) Spot checks should be undertaken on a monthly basis on a sample of journals to check that they have been input in accordance with the approved journal form. It was confirmed that this recommendation has been accepted and will be implemented with a due date of June 2015.

- 1.1 – Financial Regulations. The Director of Finance indicated that small changes have been made to the Financial Regulations over a number of years. He accepted that much tighter version control could be established. He explained that at each point of review the Committee/Board felt that they remained fit for purpose and were applicable however in his view they are too cumbersome and a review in November 2015 would be appropriate.

Q¹

Dir Fin/
Finance
Committee

Nov. 2015

¹ The Committee: Q – questioned/CH - challenged

Signed : _____ Chair

Date:

CH/Q The Committee reviewed the commentary at page 17 regarding the attempted fraud in year and questioned why it appears to have taken so long to implement the changes recommended following the fraud. The Director of Finance did not accept that there had been a delay and explained that the changes recommended were implemented but auditors have now made a further improvement recommendation. In terms of process he explained that if a fraud is attempted or indeed happens then the College asks internal auditors to come in and test the process and procedures in place. Internal auditors indicated that they also, during regular audit field work, look for likely indicators of fraud and check the robustness of processes in place. The Director of Finance confirmed that the College has never had any instances of credit card fraud. He did state that there have been some instances of fraud found on procurement cards. When identified these have been reported to the card companies to remedy/action.

AGREED: to note the content of the report provided.

c) Internal Audit Progress Report

Members' attention was drawn to page 43 which provides a summary of fieldwork completed to date and that outstanding for the remainder of the year. It was noted that the Work-Related Employer Responsive Provision report had been included within the agenda today.

AGREED: to note the update provided.

15.06 COMPOSITE COLLEGE RECOMMENDATIONS REPORT

The Director of Finance introduced this item and drew members' attention to page 44 of the pack. Members were satisfied that actions were being progressed as required.

AGREED: to note the update provided.

15.07 RISK MANAGEMENT UPDATE

The Director of Communications, Marketing and Learner Engagement introduced this item and drew members' attention to the register appended to her report. She explained that there has been one substantive change to the College's recent register as a result of executive review. This relates to the risk score for the Work-Related Training Provision.

Governors were reminded that this has been on the College's most significant risk for the whole of this academic year to date, however good progress has been made in the management of process and procedures, partner contracts and in improvements to quality exemplified by mock inspection outcomes where Employer Responsive Provision was inspected and awarded a grade 2.

Signed : _____ Chair

Date:

Whilst meeting funding targets remains a challenge the Executive agreed to reduce the risk probability to 4 and as a result the overall residual risk score to 16.

She indicated that financial stability now becomes the most significant risk to which the College is exposed at this time. This is in light of some of the challenges related to both funding and the College's cost base, to which it and the sector will be exposed in 15/16. The College is currently developing detailed plans to deal with these challenges to ensure that the current robust financial position is retained. She explained that the College now has a clear idea of funding allocations for the next academic year and is responding in its budgeting review. Once the budget is agreed for 15/16 then some immediate pressure will be removed however, all acknowledged that this is going to be an ongoing issue for the College for the next couple of years.

AGREED: to note the update provided.

15.08 PARTNER ACTIVITY

The Director of Business Development and Employer Engagement introduced her report and drew members' attention to a number of items.

- 1) Internal audit - she explained that an audit was conducted in March 2014 regarding the partner selection process which resulted in a number of recommendations being made. This included 1 medium risk associated with the panel outcome following a due diligence application and 6 low risks associated reports, outcomes, due diligence applications and visits. Progress has previously reported that actions in the main were part implemented. As of January 2015 all recommendations are now fully implemented and the actions are completed. The assurances aligned to partner selection are now fully embedded within the partnership team owned by the role of the due diligence officer. The risk register has been updated to confirm that the assurances are now adequate. She indicated that internal auditors returned to the College on March 17th to test the recommendations. This follow up report is expected shortly but internal auditors confirmed that they concur with the progress/evidence comments included within the report.

As part of the audit arrangements for 14/15 a planned audit of Work Related Training and Employer Responsive Provision was carried out in the week commencing 12th January 2015.

The objective of the area under review was to assess whether 'an effective model has been established for delivery of work related and employer responsive activity undertaken by the College in respect of business planning, financial management, sales and delivery.' Members' attention was drawn to the recommendations and comments included within the table from page 78 onwards.

Signed : _____ Chair

Date:

She explained that in relation to item 1.8 and the implementation of Salesforce this has been a huge task as there are 35,000 lines of data which were transferred.

She confirmed that they are now being cleansed and refined and robust and accurate data will then be in place for the start of next contract year.

Q

- 2) Due diligence progress 2014/15 – the team have now revised pre-qualification questionnaires and due diligence packs to assist in ensuring future partners are of a high quality with demonstrable high quality track records of delivery in the funding areas that the College seeks. The Committee questioned the length of the due diligence process. It was explained that this can vary and is usually between 6 weeks and 4 months depending upon how quickly potential partners respond to the requests for information made. Members' attention was drawn to section 3.2 which lists the partners approved through due diligence in 14/15. Section 3.3 details partners rejected through due diligence in 14/15, and section 3.4 details partners currently in the due diligence process. It was explained that current partners have been encouraged to work more with West Nottinghamshire College rather than other providers so as to increase allocations. The Committee were advised that at the current time the College has 44 partners, each of which has a different spread of allocations. The Committee were reminded that the College took a strategic decision this year to consolidate the partner list to improve quality but always being mindful that there is a need to balance the budget. She confirmed that there is demonstrable evidence that this decision has led to real quality improvements. She explained that this is critically important as the College is aware that it needs to consistently offer quality provision to employers. It was acknowledged that this may not have always been the case in the past and therefore is a real focus to address.

Members were advised that the application to the SFA to vire funds from the existing adult apprenticeships into Traineeships to the value of £1,322,829 has been approved and these funds have now been aligned within the existing partner consortium in relation to the business case submitted. A further relaxation on the eligibility criteria has permitted those partners that wanted to engage the opportunity to request a profiled allocation in 14/15.

There remains a total of approximately £1.2 million Adult Apprenticeship funds still to be allocated to partners in 2014/15.

Whilst the strategy is to reduce the partnership consortia and build on strategic relations with our partners that remain, there is an increasing challenge in that we do not wish to continue to increasingly add new partners and would rather grow the existing group.

Signed : _____ Chair

Date:

Formal meetings scheduled throughout April 2015 with partners will focus on this dialogue. It was confirmed that any financial impact or risk would be shared at the Finance and Estates Committee meetings.

She explained that whilst the College is currently behind allocation, the senior team take the view that it is more important to focus on quality rather than simply seeking a partnership to meet financial targets. She confirmed that the 16-18 provision is on profile.

The Director of Finance indicated that there is a need for a careful balance with partners as the College does not want to over expose itself. The College takes the view that there is a percentage limit in relation to partner turnover that should come from College business and beyond that they would simply become too reliant.

The Committee indicated that as partner activity is such a key part of College strategy they would like to have an opportunity to review this at the June strategy meeting, particularly within the context of funding changes for apprenticeships.

Sacha
McCarthy

June 2015

The Director of Business Development and Employer Engagement reminded the Committee that the partnership update has been a standing agenda item since 12/13 when the organisation acquired Pearson in Practice and increased the partnership consortia. Business updates to include partnerships are also reported at corporate Board and Finance and Estates Committee. She made the proposal, to reduce duplication, to remove this report as a standing agenda item for each Audit Committee and only be added as and when required by the Board. The Committee discussed this proposal and felt strongly that partner activity should remain on the audit agenda to monitor. It was agreed that to limit duplication it would be removed as a standing item for the Finance Committee with a report to the Finance Committee only when contract changes are proposed/required.

AGREED to note the update provided.

15.09 ANY OTHER BUSINESS

There were no items of additional business.

15.10 DATE OF NEXT MEETING

The Clerk confirmed that the next scheduled meeting was 30th June 2015

15.11 CONFIDENTIAL ITEMS

It was agreed that confidential items would

Meeting closed at 5.05 pm.

Signed : _____ Chair

Date: