



**WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE**

Minutes of the meeting held in the Board Room at the Derby Road site on Tuesday 30th June 2015 at 5pm

BOARD MEMBERS David Overton, Chair
PRESENT: Chris Winterton

ALSO IN ATTENDANCE: Andrew Martin, Deputy Principal/Director Finance
Louise Knott, Director of Communications, Marketing and Learner Engagement
Tom Stevens, Executive Director: Capital Projects and Estates
Steve Cressey, Head of Projects and Partnerships
Dan Hayward, KPMG
Andrew Argyle, KPMG
Louise Tweedie, Baker Tilly
Maxine Bagshaw, Clerk to the corporation

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

	ACTION by whom	DATE by when
<p>15.12 <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>15.13 <u>WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u></p> <p>Apologies for absence were received from Chris Bodger, Diana Meale, Neil Robinson, Dame Asha Khemka and Patrick Green from Baker Tilly.</p>		
<p>15.14 <u>MINUTES OF THE MEETING HELD ON 16TH APRIL 2015</u></p> <p>AGREED: to approve the minutes of the meeting held on 16th April 2015.</p>		
<p>15.15 <u>MATTERS ARISING AND ACTION PROGRESS REPORT</u></p> <p>Members reviewed the table and noted the progress. In relation to item 4 it was agreed that a Partner Activity report would be scheduled for September/October Board as only a brief outline of partner strategy had been discussed at the residential. In relation to item 5 the Director of Finance confirmed that the figures included within the minutes were accurate.</p>	SM	Sept/Oct 2015

Signed : _____ Chair

Date:

The Committee took the opportunity to discuss Maths and English and the national shortage of good quality teachers. The Director of Finance confirmed that the College has a number of graduates recruited through the ETF programme which has been quite successful. It was explained that the rise in salary costs in the schools sector is becoming common and this makes the FE sector less attractive.

AGREED: to note the update provided.

15.16 **INTERNAL AUDIT**

1) PROGRESS REPORT

Baker Tilly introduced this item and confirmed that all of the planned 14/15 audits had been completed. Members' attention was drawn to page 12 which gives a summary of the opinions which are RAG rated. Page 13 provides an update on sector developments. Members' attention was particularly drawn to page 15 which summarises the impact of the introduction of the English Colleges Foundation Code of Good Governance. Members' attention was also drawn to page 17 where the summary of increases in relation to the teachers' pension scheme are explained. In the VAT case reported in relation to Brockenhurst College it was confirmed that the College has submitted a protective claim but that the final outcome of the appeal is still outstanding.

AGREED: to note the update provided.

2) ESF CONTRACT COMPLIANCE

Baker Tilly introduced this item and drew members attention to page 23 which explains that the audit testing related to two particular contracts:

- a) Skills support for the workforce;
- b) 14-19 year olds (and up to 25 for those who have learning difficulty and/or disability) who are not in education, employment or training (NEET) or are at risk of becoming so.

She explained that the testing included a sample of deliverables for each.

Members' attention was drawn to page 24 where it is confirmed that an amber/green RAG rating has been given, this is on the basis of 4 medium recommendations made which are summarised in detail on pages 26-28. In relation to the 3 medium recommendations on page 26 it was confirmed that these have all been accepted. In relation to the low recommendations detailed on 27 these have not been accepted by management and the explanation as to why this is the case is included within the management/audit comment. In relation to the medium priority recommendation on page 28 it was explained that the issue here is that a lot of delivery is with partners and as a consequence they have the evidence rather than the College.

Signed : _____ Chair

Date:

It was noted that the College has had an SFA compliance audit on this area and they were satisfied that there were robust systems in place, however that being said, it was acknowledged that ESF compliance tests are very rigid and can in some areas be different to SFA expectations. It was confirmed that internal auditors have been asked to undertake another small sample group so as to close down some of the recommendations and confirm compliance in this area.

AGREED: to note the content of the report provided.

3) CURRICULUM PLANNING AND MANAGEMENT

Baker Tilly introduced this report and confirmed that two areas were tested as detailed on page 31. The RAG rating outcome for this audit is green with only two low priority recommendations made these are detailed on pages 34 and 35. They confirmed that overall it was a very strong outcome in what is a fundamental area of operation.

AGREED: to note the content of the report provided.

4) GOVERNANCE AND RISK MANAGEMENT

Baker Tilly confirmed that they had looked at the core framework of governance and risk management. A green RAG rating has been given. They view the audit as having a very strong outcome in a key area. Two low priority recommendations were noted on page 42.

AGREED: to note the content of the report provided.

5) HR AND PAYROLL

Baker Tilly introduced this item and confirmed that this is the first report to be provided to the College in the new format. The change in format is intended to draw attention to, and focus on key issues. A green RAG rated opinion has been given with auditor's view that there are effective controls in place and the new system implemented is operating well. Members discussed the low priority recommendation at page 47 and the suggested additional analysis of variances. The Director of Finance confirmed that the College undertakes a whole host of comparator reports and that what is suggested is an addition to the suite currently in place.

AGREED: to note the content of the report provided.

6) FOLLOW UP OF PREVIOUS INTERNAL AUDIT RECOMMENDATIONS

Baker Tilly introduced this item and drew members' attention to page 51 which summarises the areas of follow up. They confirmed a very strong outcome.

Signed : _____ Chair

Date:

The lesson observation process detailed at page 52 was discussed. It was confirmed that all restated actions are being progressed and implemented.

AGREED: to note the content of the update provided.

15.17 COMPOSITE COLLEGE RECOMMENDATIONS REPORT

The Director of Finance introduced this item and confirmed that page 53 provides a summary of actions outstanding from the 13/14 and the 14/15 academic years. In relation to the latter it was noted that not all actions identified are necessarily overdue at this point in time. In terms of the update provided, green text indicates items that have been closed off and completed. Blue text provides a progress update.

Members discussed the report in detail and a number of matters were noted/agreed:

- Page 55 and the action 'to consider the installation of a gas drop automated fan suppression system in key server rooms'. It was noted that this action has been outstanding for quite some time and the Committee urged progression to conclusion. It was explained that this work will form part of the IT capital budget. It was agreed that the Director of Finance would provide the Committee Chair with details of any quotes and tenders received to date plus an expected completion date.
- As a general discussion point the Committee Chair questioned the level of retention remaining in relation to the capital projects and where this sits within the accounts. It was agreed that the Director of Finance would liaise directly with the Committee Chair to explain where the capital contingency sum sits within the budget and also the remaining contingency sum provided for.
- Page 58 – the Committee challenged the senior team to progress this as they didn't feel that there ought to be a time delay. The Director of Finance confirmed that he would provide this feedback to the Deputy Principal for curriculum and learning.
- Page 67 – it was confirmed that the reconciliation differences would be implemented as part of the ongoing monthly processes. It was confirmed that this has been achieved by the due date of 18th June and will therefore appear as green and completed on the next report.

Dir Fin July 2015

Dir Fin July 2015

AGREED: to note the update provided.

15.18 INTERNAL AUDIT STRATEGIC PLAN AND AUDIT NEEDS ASSESSMENT FOR 2015/16

Baker Tilly introduced this item and confirmed that what was presented was a proposal for the 15/16 academic year.

Signed : _____ Chair

Date:

Nine areas are suggested, including follow up of previous items. The matters proposed were considered on an individual basis and a number of comments/notes were agreed:

- Estates management – it was explained that the 4 days proposed will now be held as a contingency. This audit has been postponed for 1 year as the College has only just obtained its condition survey and needs time to implement the actions identified.
- Learner experience – 5 days are proposed.
- Learner number systems – auditors will review the high risk areas which include study programmes, including the English and Maths conditions of funding and subcontracted provision.
- IT – the dates for this audit are to be confirmed.
- Governance – the proposal is to review the Colleges response to the Code of Good Governance for English Colleges. The Clerk questioned whether an audit in February was an appropriate time in the year to undertake a review given that it is an annual look back in terms of compliance for the whole of the 15/16 academic year. It was acknowledged that by February 2016 a number of items would not and could not have been completed, particularly in relation to the annual reports recommended in the code. It was agreed that internal auditors and the Clerk would discuss with a view to agreeing the best time to undertake the audit to ensure best value for the 3 days proposed.
- Risk management.
- Key financial controls.
- Framework for efficiency curriculum and staffing.
- Follow up.

Members discussed page 73 and it was explained that the plan for the year has been developed following a risk based assessment process. In addition to this internal auditors have spoken to management and have also taken in to account known sector challenges.

The Committee were advised that the number of days planned for 2015/16 has been reduced.

Page 79 provides a 3 year strategy and page 85 includes the audit charter.

Members were satisfied that the proposals were appropriate and covered key risk areas.

AGREED: to approve the Internal Audit Strategic Plan and Audit Needs Assessment for 2015/16.

IA's/Clerk

Sept 2015

Signed : _____ Chair

Date:

15.19 KPMG 2014/15 PLANNING MEMORANDUM

KPMG introduced this item and confirmed that the document included within the pack is similar, in terms of format to previous years, and provides an overview of intended activity. Key points brought to members attention were

- Page 4 – this explains the four stages of planning
- Page 5 – sets out the timetable
- Page 6 – sets out the materiality thresholds
- Page 7 – summarises the risk mapping exercise
- Page 8 onwards explains the risks in more detail. It was confirmed that the review of fraud risk from revenue recognition and fraud risk from management override of controls are both mandatory audit work required.
- Pages 9 and 10 explain the key areas for review and include;
 - a) Overall financial position and going concern
 - b) Subsidiaries
 - c) VWS restructuring
 - d) Fixed assets
 - e) Regularity
 - f) Pension assets and liabilities.

In terms of the 2013/14 audit it was noted that the two significant issues to overcome were the VWS run off and a breach of bank covenant. Auditors expressed the view that these should not be issues for the 14/15 year and therefore the audit should be more straight forward.

Members' attention was drawn to page 107 which sets out audit fees proposed. Page 109 provides a statement of independence and page 110 onwards provides sector updates.

Members discussed the funding update provided on page 112 and it was confirmed that the Colleges accesses approximately £250k in relation to community learning funding.

Members all agreed that the plan was appropriate and covered key areas.

AGREED: to approve the KPMG 2014/15 Planning Memorandum.

KPMG confirmed that they are going to trial the use of their data analytics tools as part of this year end audit.

15.20 RISK MANAGEMENT

The Director of Communication, Marketing and Learner Engagement introduced this item and confirmed that her report provides: a) an annual report on the risk management activity for 14/15 and, b) proposes a risk management strategy and register for 2015/16.

Signed : _____ Chair

Date:

In relation to the 2014/15 position key points brought to members attention were:

- Risks identified within the contingent risk register have been monitored by the Corporation Board or its Committees at least once during the year with the exception of data protection which has not formed an agenda item on any of the Corporation Board or its Committees. She provided assurance that this area was subject to internal audit in 2012/13.
- In terms of achievement against target mitigated risk scores
 - a) Risk scores relating to the financial stability of the College have increased throughout the year. This is not surprising in light of the spending cuts already announced and those awaited.
 - b) Risk scores relating to the work based learning programme have reduced slightly as a result of the work done on performance and quality.
 - c) Risks relating to the Studio School achieved their target residual score in November 2014 and as a result have been removed from the significant register.
 - d) Risks related to the property strategy, College positioning and curriculum planning achieved their target residual scores by the end of the year.
 - e) Risks related to HR have remained at the same level throughout the year.
- Changes to the risk environment for 14/15 – yet again this has been a challenging year for the College and its subsidiary companies. Much of the risk comes from the external operating environment with as many opportunities as risks for colleges willing to take calculated measured risk.
- The subsidiary companies considered their strategic risk register at Board level on a regular basis. Following the merger of VWS within College operations towards the latter part of 13/14 there have been no significant risk issues to report in relation to subsidiary companies.

She explained that the sector as a whole is considered as a high risk environment, particularly because of the known and expected funding reductions.

Members' attention was drawn to page 123 which is a table which explains where risks have been reviewed.

Members in reviewing the report all agreed that the format was very useful. It was noted that the College has not met its target for mitigated risk scores in relation to the financial position, however this is not unusual or a cause for concern in the current financial climate.

AGREED: to note the content on the Annual Report on Risk Management activity for 2014/15.

Signed : _____ Chair

Date:

The Director of Communications, Marketing and Learner Engagement then went on to present the proposed risk management strategy and register for 15/16. In presenting the strategy the Director Communication, Marketing and Learner Engagement confirmed that financial stability remains the highest risk and the College's risk profile remains high but similar to other colleges within the sector. She confirmed that within the strategy the sources of assurance are more clearly documented and chartered. The Committee all agreed that the strategy proposed was well developed and recognised the significant risks identified within the sector.

AGREED: to approve the Risk Management Strategy and Register for 2015/16.

15.21 REGISTERS, ATTENDANCE AND RECORDING – 2014/15 YEAREND REPORT

The Director of Finance introduced this item and key points were brought to members attention:

- The total percentage of unmarked registers is just 1% with many curriculum areas marking all created registers. This equates to 44 registers out of the population of 6,663.
- A higher proportion of registers were not up to date as at the report date equating to 6% (which is not significant) which is likely to be related to registers that are not marked in class.
- A much smaller percentage of registers have now been marked by the school administrator at just 6% compared to the 10% reported at the last audit Committee update. There will always be reasons for utilising such resource to record attendance and it is considered that this is now more proportionate than when the review of the process began.
- There does however remain to be a number of key issues to overcome if the College is to fully consider that the systems are operating with full effectiveness. Both issues relate to the timing of the recorded register mark, where we currently have 63% marked after the class has finished and 42% not on the same day as the class has taken place. This indicates rework which remains a cause for concern.
- Compared to the last report, the timeliness indicator for registers not marked in class was 71%. Therefore whilst some progress had been made it remains slow progress and further effort will be required to improve at a faster rate.

It was explained that the College has been looking at a number of options available to try and address this. For the next academic year they are intending to use a text message service to students which notifies them that they have not been marked on a register. This will help to more proactively chase non-attendance and will also put pressure on the tutors too comply with timely completion.

Signed : _____ Chair

Date:

It was explained that there is a greater focus within the sector on knowing if students are 'missing' this is both a safeguarding and a Prevent issue.

AGREED: to note the content of the update provided.

15.22 CAPITAL PROJECTS COMPLETION ANALYSIS TIMETABLE

The Executive Director Capital Projects and Estates confirmed that a completion summary is prepared for the property strategy covering the period 2010-2014 and is included as an introduction to the draft 2015-2020 property strategy which was considered by the Finance, Resource and Estates Committee yesterday. A post-audit evaluation of phase 2B development (new Lifestyle Building and enclosed courtyard) was presented to Finance Committee on 24th February 2015. Similar post audit evaluations of the visual art project and engineering innovation centre will be undertaken between October and December 2015 with reports prepared for the February 2016 meeting of the Finance Committee. All three post audit evaluations are an SFA requirement and condition of grant. No specific timeline is set for undertaking the audits or submitting the audit information to the SFA although it recommended that they are conducted around 12-18 months after occupation of a building when relevant data becomes available and the project can be assessed. He confirmed that this will then complete the planned evaluation of the 2010-2014 property strategy.

AGREED: to note the update provided.

15.23 PARTNER ACTIVITY REPORT

Steve Cressey introduced this item and confirmed that the report sets out the SFA's intention to perform assurance work via desktop review of the data reported in the ILR to gain assurance that provision meets the published funding rules and identify possible funding areas for further investigation. Following on from this the SFA announced in April that they will be conducting a desk based review on the ILR R10 data set, an overview of this was provided at Appendix 1.

In terms of the partner strategy for 15/16 he confirmed that the intention is to further consolidate the number of partners. The College is using priority funding as a selection methodology and the aspiration is to drive up the number of apprenticeships offered.

He confirmed that Vision Apprentices (the College subsidiary company) has been refocused on identifying local apprentices. It was acknowledged by all that apprenticeship delivery is a key financial target which is monitored through the management accounts.

Signed : _____ Chair

Date:

He confirmed that the team are now much more 'sector' focused in terms of recruitment and sales and that it is hoped that this will drive forward the local arrangements. The intention is to use strategic partners to offer national provision.

Members attention was drawn to page 175 which sets out a summary of changes to the funding rules for 15/16 relating to subcontracted provision and in particular the role that the governing body plays in approving these arrangements.

AGREED: to note the content of the update provided.

14.24 **COMMITTEE REVIEW**

The Clerk introduced this item and presented

- a proposed work plan
- reviewed terms of reference
- membership summary, and also provided
- an opportunity for Committee self-assessment.

The Committee were happy to make the recommendation to the Board that the terms of reference roll forward to the next academic year unchanged. They were of the opinion that these remain fit for purpose. In terms of the Committee work plan presented they were happy that it covered key areas, it was acknowledged that items can always be added as required.

In terms of Committee self-assessment there was some concern expressed regarding attendance, this meeting being an example. It was felt that the addition of Neil Robinson an external co-optee had helped to strengthen the Committee skills set and should give a little more flexibility regarding quorum and attendance.

AGREED:

- a) to note the update provided
- b) approve the Committee work plan proposed
- c) recommend that they Board approved the continuation of the existing terms of reference in to the 15/16 academic year.

15.25 **AOB**

The Director of Finance took the opportunity to raise a matter of additional business. He confirmed that the College had received a letter from the SFA on Friday regarding an allegation of irregularity in relation to one of the Colleges subcontractors. The College is required to appoint an independent auditor to investigate. This appointment is to come from a list of approved companies who are on the government framework.

Signed : _____ Chair

Date:

He explained that the suggestions/allegations relate to a) falsified signatures, b) lack of assessments, c) lack of capability within the business.

He explained that the auditors will take a sample of the learners, of which there are 631 on the system, so a sample of 65 will be chosen. Auditors will follow up the allegations by direct investigation.

It was confirmed that there has been a payment stop in relation to this organisation for some time as the College had progress concerns and as a consequence the financial risk is not significant.

Dir Fin

5.11.2015

He confirmed that at the next meeting there will be an updating report.

It was acknowledged that what has been presented is an 'allegation' only at this stage. It was noted that the College had not intended to contract with this organisation in 15/16 in any event.

AGREED: to note the update provided.

15.26 **DATE OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting was Thursday 5th November at 5pm.

15.27 **CONFIDENTIAL MINUTES OF THE MEETING HELD ON 16TH APRIL 2015**

AGREED: to approve the confidential minutes of the meeting held on 16th April 2015.

Meeting closed at 6.45pm.

Signed : _____ Chair

Date: