



**WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE**

Minutes of the Audit Committee Meeting held in Room 505, Derby Road site on Thursday 14 February 2013 at 5.10pm

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 Tweedie, RSM Tenon
Asha Khemka, Principal
Louise Knott, Director: Communications, Marketing and Student Support

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

		ACTION by whom	DATE by when
13.01	<u>DECLARATIONS OF INTEREST</u>		
	The Chair reminded those present to declare at the start of the meeting any interests in matters to be considered. No interests were declared.		
13.02	<u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u>		
	Apologies for absence were received from Adrian Harpham, Tom Stevens, Andy Argyle, KPMG and Simon Stanyer, KMPG.		
13.03	<u>MINUTES OF THE MEETING HELD ON 8 NOVEMBER 2012</u>		
	AGREED: to approve the minutes of the meeting held on 8 November 2012.		
13.04	<u>MATTERS ARISING AND ACTION PROGRES REPORT</u>		
	Members reviewed the minutes of the meeting and noted the following:		
	<ul style="list-style-type: none"> Page 2 – Financial Statements were completed and presented to the College Corporation at its December Board meeting. Page 4 – KPMG were scheduled to make the required presentation to the January Board meeting. However, this was deferred to the March meeting, because of the opportunity to have Kim Thorneywork attend and present at the January meeting. 		

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- Page 8 – the Director of Finance indicated that the College has not made substantial progress in relation to reviewing the First Aid provision. He indicated that this review was not going to be undertaken in isolation but as part and parcel of developments with the Pearson In Practice Group and the move to subsume Safety Plus Training & Consultancy activity within the College's direct delivery services.

The action progress schedule was noted.

AGREED: to note the update provided.

13.05 INTERNAL AUDIT

1) Progress Report

RSM Tenon introduced this item and confirmed that two pieces of work had been finalised as summarised on page 14. She confirmed that, for the work undertaken to date, there were no major issues that could impact upon the annual opinion or common themes arising for the work completed. It was noted that the two pieces of work completed to date were Risk Management and Governance - the English Colleges' Foundation Code of Governance. She explained that one high priority recommendation had been made in the Risk Management report which related to the need to further embed a risk driven approach to self assessment to ensure risk identification, cause and effect and sources of assurance so that it forms an essential part of the self-assessment and quality improvement planning framework.

She confirmed that four advisory recommendations were made in relation to the English Colleges' Foundation Code of Governance, these relate to the need to ensure that the Board were notified of the cases where the College differed from the Code.

Members were advised that Internal Auditors are next scheduled to be on site between 18 and 22 March to undertake the reviews of Learner Number systems, Apprenticeships and significant partnerships. The final visit for this academic year is scheduled for 29 April to 3 May 2013 to undertake reviews in relation to Financial Planning, Budget Setting Monitoring and Forecasting, Key Financial Controls, Capital Projects – value for money/mid project review and Estates Management.

It was noted that there have been no amendments to the 2012/13 internal audit plan.

Members' attention was drawn to the client briefings and the following was specifically noted:

- Real time information.
- Foundation Code of Governance – the Association of Colleges developed and promulgated the Foundation Code of Governance to

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apply and comply or explain the basis by which the sector could demonstrate its accountability for the freedoms. The Code is being extended to include annexes, the first two of which are Community Engagement and Audit and Accountability. RSM Tenon are working with the AoC to ensure that the Audit and Accountability annex is consistent with the Joint Audit Code of Practice. Adoption of the main Foundation Code does not also require that colleges adopt the Audit and Accountability annex as well.

- FE Guild/Professionalism in FE – this initiative continues to be developed, although it is unlikely that it will have this name when finalised. It was noted that there are implications for existing organisations such as LSIS and the Institute for Learning as much of their current remit would fit within the remit of the FE Guild as envisaged.
- Chartered Status – consultation over a proposal to establish a chartered status for FE Colleges and Training Providers funded by the SFA is ongoing. It was felt that there were opportunities for this College to be at the forefront of developments.
- Changes in funding methodology – the proposals are supposed to simplify and streamline the arrangements. Time will tell whether this objective is achieved.
- Further Education Student Loans – 24+ advanced learner loans will be available for further education learners aged 24 and over studying at level 3 and above (including advanced and higher apprenticeships), for learners starting from 1 August 2013. The loans will be managed by the Students Loan Company who currently administer loans for higher education students. The Director of Finance confirmed that the introduction of these loans will have a significant impact as approximately £1.7million worth of the College's current provision will fall into this category. He envisaged a negative impact in terms of recruitment and financial contribution and the estimated reduction is in the region of 40%. It was confirmed that the College is communicating with the affected students and doing all that it can to ensure that recruitment stays strong.

It was noted that classrooms with combined ages will now become challenging as it is likely that there will be differing expectations dependent upon the level of fees/contributions paid by each individual in the class. It was confirmed that the FE loans will work in the same way as student loans for HE and that the payment profile will change as a consequence, the Director of Finance confirmed that he felt this was manageable. He confirmed that the Finance Team are aware of the likely implications of the change in profile and it is not envisaged that there will be a significant impact upon cash flow. The Principal indicated that the taking out of loans will involve a cultural shift for learners and that this will take time to develop, although a change, in her view, is inevitable and would bring the UK into line with how education is perceived and funded in other countries.

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The Director: Communications, Marketing and Student Support indicated that the College has done some research regarding its current access to HE students regarding their appetite to take on loans. She indicated that lots of the students are in receipt of benefit and currently have their fees remitted, the concern is that they will have less of an appetite to take on loans when compared with students who are in work.

- Quality – the 2011/12 annual report from Ofsted was published on 27 November 2012 with an overall view that “the sector needs reorientating towards a moral determination to provide high quality and relevant provision”. It was acknowledged that this overview has caused some consternation and robust responses from some colleges. In terms of areas for improvement, the Principal indicated that the College needs to develop further its data collection in relation to progression and destinations. Internal Auditors were requested to provide sample framework systems utilised by other clients, if they would be of benefit to the Senior Team in achieving the objective of improvements in this area. Louise Tweedie confirmed that she would review her client base and liaise directly with the Principal outside the meeting.

RSM
Tenon

Feb 2013

In relation to discussions on the charter status, the Principal confirmed that whilst this is still in the consultation period, it is the College’s intention to apply for accreditation. She expressed the belief that the key to success in obtaining charter status would be a focus on localism and evidence to demonstrate engagement and success in this area.

Members discussed the perception of fees and joint funding generally. Some scepticism was displayed regarding the likely willingness of some employers to make contributions towards their employees’ fees. It was accepted that there may be some significant difference between the Government’s assumptions and the reality, particularly for SMEs as they have very different pressures and structures.

AGREED: to note the update provided.

2) Corporate Governance – English Colleges’ Foundation Code of Governance

Internal Auditors introduced this item and confirmed that the code was launched in late 2011 with the intention that the sector adopts a comply or explain approach to reporting adherence to the Code in the financial statements for 2012/13 onwards. The Code was formally adopted by this College, evidence as ratified at the Corporation Board meeting on 24 November 2011. The purpose of the audit was to test compliance with the principles laid out. She explained that the audit was taken as an advisory review and therefore no formal assurance is given. The audit conclusion is that the College has responded proactively to publication of the Code and appropriate action has been taken to ensure compliance with the Code for the majority of the standards. Auditors have made four

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advisory recommendations which are intended to assist the College with compliance or disclosure in respect of the requirements of the Code. The impact of implementing these recommendations will be that the College is able to disclose accurately and transparently its ability to meet (or not) all parts of the Code.

Members` attention was drawn to page 27 and the four items detailed, Members discussed recommendation 3.1 in more detail. Louise Tweedie confirmed that she has a number of examples where other organisations have provided sector targets and benchmarking information, she will scan these and provide them to the Clerk to the Corporation. It was explained that these comparators are often provided in the form of dashboard data. It was agreed that the Director of Finance would liaise with the Director of IT to try and develop an electronic dashboard that gives benchmarking data to Governors. Governors present all agreed that this would be very useful.

Louise
Tweedie

Feb 2013

Dir. Fin.

March
2013

Auditors confirmed that they were happy that the College, in its broader sense, has complied with the vast majority of actions required in the code. The proposed recommendations would strengthen the existing arrangements.

AGREED: to note the update provided.

3) Risk Management

Auditors introduced this report and confirmed that they had reviewed risk management arrangements at department levels. It was noted that the findings had led to an amber/red grading. Audit conclusion was that taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies on to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure that this risk is managed. At departmental level the support areas in Schools of Learning Quality Improvement Plans include objectives and actions designed to address weaknesses identified from the self-assessment review process. Actions are clear with assigned responsible individuals and target completion dates, however the objectives relating to the actions currently include little by way of risk identification cause and effect. In order to further embed a risk driven approach to self-assessment, action is required by the College to ensure risk identification, cause and effect, and sources of assurance, forms an essential part of the self-assessment equality improvement planning framework.

Members` attention was drawn to pages 46 and 47 which summarise the recommendation. Members reviewed management comments and noted that the issues identified had been partially accepted. It was confirmed that agreement has been reached by the College and Internal Auditors as to what action will be taken going forward. Members of the Audit Committee were entirely happy with the explanations provided.

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AGREED: to note the update provided.

13.06 COMPOSITE COLLEGE RECOMMENDATION REPORT

The Director of Finance introduced this item and drew members' attention to appendix a, which shows that two recommendations remain to be implemented from the 2009/10 audit reports, of which one has been completed. 25 recommendations are still to be implemented from the 2010/11 Internal Audit reports, of which 13 have been completed. Appendix b, shows External Audit summary, one recommendation has been partly implemented and remains outstanding from the 2011/12 External Audit report.

Members reviewed the summary report at page 68, which explains the progress against internal audit recommendations, the summary tables were noted. In relation to the 2009/10 recommendations, the one action which remains to be implemented is not considered to be a high risk, it relates to academic staff utilisation and the use of electronic registers. The Director of Finance confirmed that the College was trialling the use of electronic registers to pay sessional staff, this trial will continue for the remainder of the academic year and will be reviewed. In relation to the 2011/12 recommendations, there are currently 12 outstanding actions to be implemented, of which one is high risk, four are medium risk and seven are low risk. The high risk item is not yet due for completion.

Members' attention was drawn to page 69, which gives a full and detailed explanation for the non implementation of the outstanding Internal Audit recommendations. Members specifically noted the following:

- Learner Journey – it was confirmed that the College does have an ALS Strategy in draft, but is currently awaiting the appointment of a Head of Student Services to implement it. It was confirmed that the job has now been advertised on two occasions, but unfortunately the pool of applications has not been of the calibre desired.
- Curriculum planning – the Deputy Principal confirmed that this has to be resolved by the target date of April 2013 as it is key to successful budget planning.

The Director of Finance provided assurance that all of the actions outstanding are partially completed and are being implemented, he confirmed that none are simply being ignored. He explained that some of the actions were actually more complicated than originally envisaged, but that there was confidence that the revised completion dates would be met.

It was agreed that the Principal, Director of Finance and Director of Communications, Marketing and Student Support would liaise outside the meeting to review ownership of actions and the communication of the importance of hitting these targets.

Principal/
Dir Fin/
Director
C&M

February
2013

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Members then went on to review the progress and reasons for non implementation regarding outstanding External Audit recommendations. The Director of Finance explained that the action required relates to quite a complex systems integration issue and that it has been more time consuming than originally envisaged. He confirmed that good progress is being made and the target date for completion, which is summer 2013, is achievable.

AGREED: to note the update provided.

13.07 RISK MANAGEMENT

1) Top Ten KPI's

The Director of Communications, Marketing and Student Support introduced this item and drew members` attention to the table of KPI's, it was confirmed that good progress is being made. Members were asked to particularly note:

- An increase of close to £50,000 in the College`s reported AVEs in the same point last year.
- A confirmed success rate of 1%.

She explained that the most challenging aspect of risk mitigation for the College at this moment in time relates to the recruitment of Students on to its HE programme, 16-18 Apprenticeship programme and to some extent the maintenance of application numbers for its full time learner responsive programmes for 2013/14 entry.

Members reviewed the data table at page 76 in detail and noted:

- Property Strategy – the project was handed over on 4 February 2013. Governors have had a tour of the new facilities. The building will be open for students on 25 February 2013.
- External relationship/reputation – AVE income generation 2012/13 year to date total of £205,214, against same point total of £150,999 in prior year. Stakeholder survey has been completed and will be reported to the April Board meeting.
- HE Student Recruitment – members were advised that HE numbers are down on the same point in the prior academic year. What is interesting is that price sensitivity is not as influential a factor as originally anticipated. The Principal expressed a belief that the College needs to consider other marketing opportunities, as the market is there but do students really know what the College offers? It was agreed that there was a need to know from existing students what the College`s USP is and that this can then form the basis of targeted marketing. The Director of Communications, Marketing and Student Support expressed the belief that it was still early in the year for recruitment as, historically, the College has received the majority of its applications later, and therefore, whilst it is an area to monitor

Director
C&M

April 2013

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carefully, there are high profile marketing campaigns planned to support recruitment.

AGREED: to note the update provided.

2) Economic Risks

The Director of Communications, Marketing and Student Support introduced this item and the key points brought to members' attention was:

- The College operates within an increasing turbulent and challenging environment, whilst this does pose some risks, there are also opportunities.
- Generally, pressures on public spending will mean that colleges are expected to deliver much more with far less.
- Changes to funding, and in particular the introduction of Adult Learner loans, are likely to put pressure on recruitment with subsequent reduction on adult learner numbers.
- The Richard Review of Apprenticeships may well have had an impact on the College's recruitment of apprentices, particularly adults who are already in employment. However, the proposal to introduce Traineeships should open a wider recruitment of 16-18 learners.
- The proposal to move Skills Funding to LEPs contained within the Hesselatine Report will have implications for colleges and organisations such as the AoC and SFA, are lobbying against such a move.

Members discussed the College's relationship with the local LEP in detail and it was acknowledged that whilst in the developmental stages, the LEP was taking shape and there was a need to ensure that the College embraces the relationship and proactively engages with them. Chris Bodger indicated that he recently met with the Chair of the LEP, Peter Richardson, it was agreed that the Director of Communications, Marketing and Learner Support would liaise with Chris Bodger outside the meeting and further develop this connection, and perhaps invite him to make a presentation to the Board.

Director
C&M

February
2013

Members discussed the general planning environment and were advised that the College has now had its indicative allocations for 2013/14. The EFA allocation is down by approximately 120 pupils which would have a financial impact of approximately £750k. Whilst this is disappointing, it is felt that the introduction of Traineeships will be a huge opportunity for the College and the sector.

Members discussed the potential to recruit 14 year olds directly. It was acknowledged that the College was going to undertake a study to assess feasibility. Any plans would not be in place for 2013/14, but depending upon the Board's view, could be in place for 2014/15. It was agreed that this was a strategic decision for the Board and perhaps something to debate more fully at the June residential.

Principal

June 2013

Signed : _____ Chair

Date:

It was noted that the Studio School application, if successful, will commence from September 2014, this would give the College direct access to pre-16 Students.

Members all agreed that they had found the content of the report useful. It was agreed that an update would be provided to members as a standing agenda item at each meeting.

Director
C&M

Standing
Item

3) Subsidiary Company Registers

The Director of Communications, Marketing and Student Support drew members' attention to the content of the registers, she confirmed that there was nothing of concern that she wished to bring to members' attention at this stage. It was noted that the bksb register is now owned by the Company's Senior Management and this is following an internal audit recommendation. It was confirmed that a risk register would be developed for the College's plans in relation to the new subsidiary Vision Workforce Skills, it was agreed that a copy of the company's risk register would be presented at the next meeting.

Director
C&M

June 2013

4) Risk Management Update

The Director of Communications, Marketing and Student Support confirmed that the Executive Team have reviewed the risk register and noted that the College's risk environment remains largely unchanged at this moment in time. A number of register changes were made:

- Risk priority 3 – Curriculum Planning – the challenging environment in relation to the recruitment of students at both 16-18 and HE level and the additional resource in terms of marketing spend required to mitigate this risk. It is likely to be a challenge to maintain enrolment levels and detailed monitoring of gaps in application numbers is taking place with immediate remedial action planned where necessary.
- Risk priority 4 – Property Strategy – risks were added to encapsulate the complex and potentially disruptive nature of the decamp needed once cladding the remainder of Derby Road commences. This may well, if not managed correctly, have a detrimental impact on the students' experience.

The Committee were advised that no further amendments to the risk register were suggested by the Executive Team, however, future large scale projects would need adding to the risk register in due course, these are:

- Pearson in Practice. As discussed at the Board, this is a project with huge potential, but also one that carries risk. A separate risk register will be constructed for the new company once a deal has been signed and ratified by the Board.
- Studio School – a proposal to form a Studio School has been submitted to the Studio Schools Trust and the College will be invited

Signed : _____ Chair

Date:

to present its proposal at an interview provisionally set for 7 March 2013. A decision on the application will be known May 2013. A separate risk register for this project will need to be constructed should the College be given the go ahead to form a Studio School.

- In the light of these two large scale projects and in the light of discussions at Board meetings, a risk related to capacity may be added should both of these projects get the go ahead.

Members` attention was drawn to section 31, which details the progress made on actions identified within the register.

AGREED: to note the update provided.

13.08 REGISTERS, ATTENDANCE AND RECORDING

The Director of Finance introduced this item and confirmed that the College was still making good progress, members` attention was drawn to the following:

- A number of new reports have been made available to the Heads of School. These include a report by course comparing the session date to the marking date for the Tutor. As a result, Heads of School are able to challenge directly areas where there needs to be improvement. Primary aim in this example is to address registers marked out of session.
- A report setting out an undesired top five has also been created from which the worst offenders are directly contacted by the Central Team to provide support and encouragement to tackle the issues identified.
- The total percentage of unmarked registers has fallen from 23% in October 2012 to 5% at the end of January 2013. Whilst this still leaves room for improvement, there is evidential improvement over the course of the first term, particularly in those Schools of Learning which had the biggest issues.
- The timeliness of register marking remains a major area of challenge to improve the process. With a previously reported 79% of all registers marked after the class content period after October, this has only fallen to 71% by the end of January 2013, meaning that there is still too much rework completed to get the registers marked after the session has been delivered. Care & Education Studies are the worst offenders in this instance, with 81% of registers marked after the class session has been delivered, meaning that a manual register has to be taken in class and transferred to the electronic system.

He confirmed that the College was investigating the use of an 'event marker system' which is a mechanism to electronically swipe ID cards, and this information would automatically be put on to the register. The College is looking to undertake a pilot this academic year, however, it was noted that this system is incredibly expensive. The estimated cost of implementing such a system across the College would be £260k. It was accepted that if the system works well however that, whilst expensive, would lead to staffing and resource savings.

Signed : _____Chair

Date:

Members discussed the future reporting in relation to registers attendance and recording. There was the belief that the College has quite clearly identified where and how improvements are needed. It was agreed that an end of year report would be presented in June 2013 and then a mid year report in February 2014.

Director
Finance

June
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AGREED: to note the update provided.

13.09 AUDIT SERVICE SECTOR UPDATE

It was acknowledged that this agenda item had been discussed as part and parcel of the Internal Audit Progress Report.

13.10 AOB

There were no items of additional business.

13.11 DATE OF NEXT MEETING

The Clerk to the Board of Governors confirmed that the next scheduled meeting was 27 June 2013.

Meeting closed at 6.25 pm.

Signed : _____Chair

Date: