WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE

Minutes of the meeting held in the Board Room at the Derby Road site on Thursday 14th April 2016 at 5.15 pm

| **BOARD MEMBERS PRESENT:** | David Overton |
| | Chris Winterton |

ALSO IN ATTENDANCE:	Andrew Martin, Deputy Principal & Director Finance
	Louise Knott, Director of Communications, Marketing & Learner Engagement
	Tom Stevens, Executive Director Capital Projects & Estates
	Maxine Bagshaw, Clerk to the Corporation
	Dan Hayward, KPMG
	Louise Tweedie, RSM
	Andrew Argyle, KPMG

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

		ACTION by whom	DATE by when

16.11 DECLARATION OF INTERESTS

The Chair reminded those present to declare at the start of the meeting any interests in matters to be considered. No interests were declared.

16.12 WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE

Apologies for absence were received from Diana Meale, Neil Robinson, Darren Wilkinson and Dame Asha Khemka.

16.13 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 11TH FEBRUARY 2016

The minutes were reviewed and agreed as an accurate record.

AGREED: to approve the minutes of the meeting held on 11th February 2016.

There were no matters arising.

15.14 ACTION PROGRESS REPORT

Members reviewed the table and it was noted that:

Signed : _____Chair   Date:

- Item 1 – the College has now obtained competitive quotes and is looking to progress. Costs are all included within the 15/16 capital budget.
- Item 2 – scheduled for the Board meeting on 21st April 2016.
- Item 3 – the College does still work with CAGE North Notts but does not host them and therefore it is a limited relationship.
- Item 4 – on the agenda.

AGREED: to note the update provided.

16.15   INTERNAL AUDIT

1)   LEARNER NUMBER SYSTEMS

Louise Tweedie introduced this item and drew members' attention to page 15 which shows the executive summary, including background information and conclusion. She confirmed that this year the audit team had looked at study programmes which is entirely related to 16-18 age students.

She explained that from 14/15 the EFA introduced the English and maths condition of funding. Failing to meet this condition could lead to removal of funding for any learners not in compliance. The condition was updated for 15/16 as follows 'all students starting a new study programme of 150 hours or more aged 16 to 18 … who do not hold a GCSE grade A*-C Maths and/or English are required to be studying these subjects as part of their study programme in each academic year. Full time students (those on a study programme of at least 540 planned hours aged 16-18 or at least 450 hours if aged 18) starting their study programme who have a grade D GCSE or equivalent qualification in maths and/or English must be enrolled on a GCSE or approved GCSE qualification rather than an approved stepping stone qualification.'

She explained that of the sample size audited it was found that there were a number of students who had not been enrolled on a GCSE. The Director of Finance confirmed that there have been 11 students who have withdrawn and therefore will not be funded, the approximate financial impact is £44k. It was explained that the College had taken the decision to enrol some students, because of their perceived abilities, on functional skills courses rather than GCSEs, however because of the risk to funding this policy has now been changed and the decision has been made to put grade D students into bands depending on student strengths and abilities.

In general discussion it was acknowledged that the funding policy provides somewhat of a 'heavy mallet'. It was acknowledged by all that the College cannot afford to take the risk of non compliance with the funding policy.

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As a result of the audit work undertaken a partial assurance opinion has been given with an amber/red RAG rating. She explained that the findings were considered to be significant and therefore this has influenced the RAG rating although it doesn't appear as an action to be addressed as part of the audit. It was a deliberate College policy decision to put them on functional skills rather than GCSEs but this has now been changed.

Members' attention was drawn to the three low priority recommendations on page 18.

Section 1.5 on page 18 is a medium recommendation and it was noted that testing confirmed that of 20 students sampled the learner timetables did not reconcile with the learner study programmes. This was identified to be in part due to inaccurate core aim hours stipulated by schools prior to the population of learner timetables. Management confirmed that there is ongoing monitoring and training to be undertaken to ensure that target hours provided by the schools prior to the start of the academic year are accurately reflected in learner timetables for the entire year in line with funding guidance.

The Director of Finance explained that not all hours are timetabled at the beginning of the year, although it should be the case that the same number of hours are actually planned and timetabled. These should match and in the sample size this simply wasn't the case. He confirmed that this is a constant source of management frustration and often it is just minor differences but acknowledged that differences should not occur. He provided assurance that the senior team monitor and challenge this issue with the curriculum teams and it is something that they are constantly working to improve upon. It was confirmed that there is no financial impact if the hours planned and timetabled fall within the same 'bands', however there could be a financial impact if it meant that the hours actually delivered moved the student into a different funding band. It was acknowledged that it is quite a complicated process to ensure that the actual position as against planned is accurate.

AGREED: to note the content of the report provided.

2) FRAMEWORK FOR EFFICIENCY IN CURRICULUM AND STAFFING

Louise Tweedie introduced this report and indicated that the content touched on some of the issues discussed in the earlier item. Members' attention was drawn to page 31 which is the executive summary which includes background, conclusion and key findings. A reasonable assurance has been provided that the controls in place to manage this risk are suitably designed and consistently applied, however auditors have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risks. An amber/green RAG rating has been given.

Signed : _____Chair   Date:

Members' attention was drawn to the three medium recommendations made. In reviewing page 33 it was noted that:

- Section 1.1 makes the point that the Excel spreadsheets used are a bit cumbersome.
- Section 1.3 - auditors view is that group size is an important metric, albeit that this recommendation is not being accepted by the College Management team.
- Section 1.5 - this is a suggestion not a recommendation.
- Section 1.6 – Pro Solution has the ability to display staff utilisation percentages in the staff log teaching hours report using a traffic light system, however recently this traffic light functionality has been lost partly due to the implementation of the new HR system. It was confirmed that the report containing staff utilisation is due to be rewritten in term 3 in order to improve its flexibility and run time.
- Section 1.7 – the senior team did use to be able to monitor staff utilisation in the old system, however the new system prevents the use of old style reporting. The College accepts that there is a need to develop a mechanism for analysing and monitoring this. Assurance was given that staff utilisation are KPIs which are in place for each and every curriculum area.

The College is currently completing its curriculum planning process with three schools of learning only not finalised at this stage.

AGREED: to note the content of the report provided.

3)   FOLLOW UP OF PREVIOUS INTERNAL AUDIT
      RECOMMENDATIONS

Louise Tweedie introduced this item and drew members' attention to page 57. She confirmed that of 26 identified actions, 12 have been implemented, 7 implementations ongoing, 6 have been superseded and 1 action not implemented. She confirmed that all actions were evidenced as 'in progress' except for one.

Members' attention was drawn to page 64 and the comments made in relation to lesson observations. She confirmed that this recommendation has been restated. The Committee questioned whether the policy of 're-observation within 4 weeks' is giving staff enough time to complete the process. Internal auditors indicated that they do more usually see 6 weeks rather than 4 and that this may have impacted upon the Colleges ability to hit the objective timeline agreed.

AGREED: to note the update provided.

4)   KEY FINANCIAL CONTROLS VISIT 3

Signed : _____Chair   Date:

Louise Tweedie introduced this item and drew members' attention to page 77. She confirmed that key financial controls audit work is undertaken on a cyclical basis. At this time an amber/green RAG rating has been given with three medium priority and six low priority recommendations. Members' attention was drawn to page 79 which is the action plan for activity. Key points noted were:

- Section 1.2 relates to version control.
- Section 1.6 makes the recommendation that this process should be completed electronically.
- Page 80 sets out follow up audit work from previous recommendations.
- Section 2.6 - this has now being dealt with. A review of the Financial Regulations has been completed.
- Section 2.7 - the recommendation here relates to the formal confirmation. Assurance was given that there is no evidence that purchases made were not related to College business.
- Section 2.12 is a timing issue.
- Section 2.14 - the Committee Chair indicated that he would like to see the IT asset register linked to PAT testing registers. The Director of Finance indicated that this was not possible at the current time as the two systems operate differently. He confirmed that the College is looking for an IT software solution to tie together a number of different areas covered by individual roles and responsibilities.

AGREED: to note the content of the report provided.

5) INTERNAL AUDIT PROGRESS REPORT FOR 15/16

Louise Tweedie introduced this item and confirmed that all planned work is progressing as scheduled. Members' attention was drawn to page 102 and the KPIs. She was able to confirm that audit work has been completed in all areas save for the fact that the learner numbers systems report was presented to the April Audit Committee meeting rather than the February meeting.

Members' attention was drawn to page 103 and the briefing sheet on emerging issues. Particular attention was drawn to page 110 and the summary of FE Commissioners findings.

AGREED: to note the content of the report provided.

16.16 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT 2015/16**

The Director of Finance introduced this item and confirmed that from the 13/14 academic year there is still 1 action outstanding which relates to some of the payroll and HR procedures. He confirmed that procedures are now in place and any amendments will be actioned by the end of the 15/16 academic year.

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In relation to the 2014/15 outstanding actions members' attention was drawn to page 119 where the issues identified relate to credit cards and financial controls. Assurance was given that these are being progressed.

In relation to 15/16 it was acknowledged that good progress is being made to address recommendations made in year.

AGREED: to note the update provided.

16.17   **SUBCONTRACTING AUDIT OUTCOMES**

The Director of Finance introduced this item and confirmed that the SFA introduced a new subcontractor audit requirement. This was introduced for the first time this year but will be an annual requirement. Each and every College who undertakes subcontracted activity needs to provide the SFA with some form of external assurance and this has to be done before the 31st January in each year.

KPMG carried out the audit work required and looked at 7 areas (as detailed on page 131). Page 133 details the outcomes and from page 138 onwards there are a number of recommendations. These were reviewed in detail:

- Item 1 - Four organisations failed on their refresh application to go on the register of training organisations. The College worked with them to clarify why this was the case. It was confirmed that at the subsequent refresh they were all put on the register.
- Item 2 - It was explained that there is often a time delay in obtaining signatures. It was confirmed that all four contracts were signed subsequently.
- Item 3 - It was confirmed that the College will insert the recommended additional term into contracts, this will be from 1st August 2016.
- Item 4 - This is now complete.
- Item 5 – it was confirmed that the update recommended will be actioned when the policy is reviewed, this is done on an annual basis.
- Item 6 – the recommendation here is that the College should be slightly more specific in terms of its requirements.

It was confirmed that the College had successfully been able to issue its assurance certificate as required to the SFA. The Director of Finance expressed the view that this was a good mechanism by which the College can annually check its position.

Auditors were able to confirm that the findings detailed in the report are fairly common to those seen across the sector.

AGREED: to note the content of the report provided.

Signed : _____Chair   Date:

16.18   RISK MANAGEMENT

TOP 10 KPIS

Louise Knott introduced this item and drew members' attention to page 147 and 148. The Committee particularly focused on the red and red/amber RAG rated items. It was acknowledged by all that the external context has a significant impact upon the Colleges risks and in many cases they are hard to control as there are so many unknowns. Page 148 details the most significant strategic risks. Assurance was given that these are monitored on a regular basis.

Members' attention was drawn to page 149 and the minor changes identified to the strategic risk register and contingent risk register. It was confirmed that changes primarily relate to work based learning provision where there are some risks but also opportunities.

AGREED: to note the content of the report provided and the updated risk register.

16.19   AUDIT SERVICE SECTOR UPDATE ON THE AREA BASED REVIEWS

KPMG introduced this item and explained that they intended to give a 'flavour' of feedback seen so far, this includes:
- Wave 1 reviews have all been delayed.
- Earlier reviews are now starting to shape some options, for example Manchester area. There are some interesting structures starting to emerge.
- No real pattern of radical change.
- In wave 2 Staffordshire appear to be ready to publish outcomes.
- Restructuring fund is available, however this is owned by Treasury and is only available to March 2017. Intention is believed to offer loans rather than grants.
- Politically the Government want to publish very positive outcomes.
- Universities starting to get involved and explore options.

AGREED: to note the update provided.

16.20   CONFIDENTIAL MINUTES OF THE MEETING HELD ON 11TH FEBRUARY 2016

The minutes were reviewed and agreed as an accurate record of discussions.

16.21   AOB

There were no items of additional business.

Signed : _____Chair   Date:

16.22   DATE OF NEXT MEETING

It was noted that the date of the next planned meeting was 30th June 2016, however it was agreed that this would need to be rescheduled.

Meeting closed at 6.45pm.

Signed : _____Chair   Date: