



**WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE**

Minutes of the meeting held in the Board Room at the Derby Road site on Thursday 12th February 2015 at 5.30pm

BOARD MEMBERS Chris Bodger
PRESENT: Chris Winterton
David Overton, Chair

ALSO IN ATTENDANCE: Maxine Bagshaw, Clerk to the Corporation
Andrew Martin, Deputy Principal/ Director Finance
Tom Stevens, Executive Director Capital Projects and Estates
Louise Knott, Director of Communications & Marketing Learner Engagement
Dame Asha Khemka, Principal and Chief Executive
Patrick Green, 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>14.54 <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>14.55 <u>WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u></p> <p>Apologies for absence were received from Diana Meale, Andrew Argyle KPMG and Louise Tweedie Baker Tilly.</p>		
<p>14.56 <u>MINUTES OF THE MEETING HELD ON 3RD DECEMBER 2014</u></p> <p>AGREED: to approve the minutes of the meeting held on 3rd December 2014.</p> <p>There were no matters arising.</p>		
<p>14.57 <u>ACTION PROGRESS REPORT</u></p> <p>Members reviewed the action progress table at page 14. In relation to item 1 – ‘the capital projects completion analysis’ it was agreed that a separate meeting would be arranged between the Committee Chair and Tom Stevens to agree a timeframe for completion and presentation to the Board/Committee. It was noted that this item also links to a verbal update proposed later in the meeting at agenda item 10. It was agreed</p>	Chair/TS	Feb 2015

Signed : _____ Chair

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that this later item would be removed given the need to sit down and establish an appropriate timeframe.

In relation to item 2 and the need to strengthen Committee membership, the Principal indicated that she had recently met with the Group Manager of Financial Management for Nottinghamshire County Council, Mr Neil Robinson. This meeting was to discuss his possible appointment as a Governor on the Board for Vision Studio School, however given his skill set it was agreed that it would be appropriate to invite him to sit on the College Audit Committee as a co-optee. It was agreed that the Principal would contact him on the Committees behalf to see if he would be interested in joining the Committee. The Clerk confirmed that each sub committee has authority within its terms of reference to make external co-optee appointments without the need for Board approval, therefore if Mr Robinson is willing to sit on this Committee then this can be actioned immediately.

Principal

Feb 2015

AGREED: to invite Mr Neil Robinson to become a member of the Audit Committee as an external co-optee.

In relation to item 3, the Deputy Principal/Director of Finance confirmed that the changes requested had been completed.

14.58 PARTNER ACTIVITY

The Director for Business Development and Employer Engagement introduced this item and drew members' attention to her written report. A number of particular matters were noted:

- A re-profiling activity in relation to apprenticeship provision across all partnerships has taken place and allocations reduced where performance has been greater than 20% below profile. This is to ensure plans for the remainder of the year are realistic and funds can be distributed accordingly. She explained that this is the first time this action has taken place in a number of years. The action is to mitigate known risks and it was explained that the College does not want to go in to the second half of the year without a level of confidence regarding delivery capability from partners.
- 2014/15 contract allocations – in her written report it was noted that the internal decision to raise the ALR allocation of £1.6million to £3.1 million through virement of £1.5 million from the Adult Apprentice budget has been deemed unacceptable by the SFA. The ALR allocation at December has been spent and this has required the cessation of all planned ALR activity from January 2015. This means a reduction to a large number of contracts with partners which will have an impact and require very careful handling and account management. It could result in partners taking other aspects of their provision away from West Nottinghamshire College. She provided a verbal update at the meeting and confirmed that the College has now obtained an

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additional £700k and therefore this work stream can be reopened.

- In order to address the shortfall within apprentices the College has submitted a virement request to the SFA to distribute funds into traineeships which there is currently demand for and an ability to deliver. It is the intention that, should the team be successful, this will also promote further progression opportunities on to apprenticeships. She explained that a decision is anticipated on this by 27th February 2015. She took the opportunity to explain that a number of partners have had to be removed from the list to provide traineeships and that the team are currently going through due diligence in relation to potential new partners. She confirmed that there is strong demand for traineeships and these, if progressed, will lead to a good pipeline of students ready for apprenticeships. Governors questioned what will happen if the virement sought is not approved. The Director Business Development and employer Engagement confirmed that the position will remain as reported and then it will be a matter of prioritising the £700k extra obtained.
- Existing partners consolidation and quality improvement – the College is now contracted with 27 partners with new start contracts and 16 with managed-out carry out in contracts. In terms of the reduced number of partners to be used the Committee questioned whether the College had failed in its due diligence processes regarding the 16 that are being managed out. Governors also questioned whether the due diligence process is rigorous enough before contracts start? The Director Business Development and Employer Engagement provided assurance that the College and her team are very confident regarding the 27 partners who the College is currently working with but acknowledged that there were historic lessons to be learned.

The Committee questioned whether the software that the College uses provides 'search and triggers', it was confirmed that yes the system does have this capacity and utilisation is being developed. The Committee were advised that the College also uses Credit Safe as one of the mechanisms for assessing partner strength, and in addition to this each partner is subject to a quarterly review. She explained that if triggers are hit then the College sends no new starts until the team are confident regarding the partner's ability to deliver to the specifications agreed. The Committee were advised that the quality rather than finance triggers are harder to manage and track.

- The New Client Monitoring Report (CMR) now provides account officers with far more detail on actual learner management by partners on an individual learner level and has had a positive impact in addressing learner performance issues. It was confirmed that a CMR is completed every month, the details of

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which are reviewed and reports issued to partners. Partners are required to respond to any issues identified within 7-10 days. The responses received trigger a RAG rating. The Committee were reminded that partners are subject to the partnership quality framework and that part and parcel of this is a quarterly review. It was explained that this is a more informal mechanism which allows a composite review of partners at this meeting. During these meetings all risks are graded again.

- The CMR was a necessary stop gap ahead of the rollout to all partners in January of Smart Assessor for the tracking of learner progress. This is ambitious, but a plan is in place to support the rollout. If a partner has an existing E-portfolio that can supply progression evidence this will be reviewed and if the required evidence of learner engagement and progression can be provided then dispensation can be granted. To date only 2 partners, CILEX and LHAA have requested this, with only CILEX submitting reports which meet the Colleges requirements. It was explained that this is a key development plan to provide the College with partner assurance. It is going to be a very complex system to manage because of the number of partners and volume of learners.
- The College now has revised prequalification 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 required. It was confirmed that there is a dedicated person within the team who is now responsible for due diligence. This is a new post and will ensure consistency. In reviewing the provider names listed the Board noted some very similar company names and of particular concern was 'Free To Learn' and also 'FREE 2 LEARN'. Governors challenged the Senior Team to ensure that accounts are very clear regarding the different organisations. The Director of Finance provided assurances that checks and balances are in place and in fact payments are paid by differentiated company numbers rather than company names to ensure there is no confusion.
- Internal audit – an audit was conducted in March 2014 for the partner selection process which resulted in a number of recommendations being made, this included 1 medium risk associated with the panel outcome following the due diligence application, and 6 low risk associated reports. 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. She explained that the medium issue raised was a tracking improvement that was required. She confirmed that the assurances aligned to partner selection are now fully embedded within the partnership team and owned by the role of due diligence officer. The Risk Register (risk priority 1) is to be updated to confirm that the assurances are now adequate.

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- The College has had confirmation from both SFA and LEP that new ESF allocations will be delayed by as much as 8 months from anticipated plans. Formal response from the LEP consultation on future ESF allocation and management arrangements is still awaited. It was explained that by now there should already have been a tender process in place for new ESF contracts but that this is not the case because there is no local, regional nor national plan in place. As a consequence there will be a gap between old and new contracts reported, this will inevitably impact upon momentum. The Committee were reminded that ESF allocations will now be the responsibility of the LEP. Governors questioned whether there was any risk of ESF claw back. Assurance was given that there is no risk directly to the College but there is a risk that Europe could claw back funds from the UK allocation provided. The committee were advised that this may have an impact upon partners and the risk to the College is that certain partners make look to other College providers to provide other funding routes.
- Risks – traineeship funding rules that restrict the College from allocating traineeship funding to those partners who were not on the 12/13 subcontractor declaration at June 2013 will (if not revised under challenge) restrict the College opportunity to grow this area of priority funding. It was explained that the intention of this rule is to protect the integrity of traineeship provision however, it does mean that the College is significantly limited in terms of partners who can be used and there are a number of partners who cannot be used who have significant potential income value. In relation to the schedule of partners effected by the rule set out in 8.3 it was explained that these numbers are not College learners but instead belong to partners but that the College cannot fund the traineeship element of learning.

AGREED: to note the update provided.

(Sacha McCarthy left the meeting at 5.55pm)

14.59 INTERNAL AUDIT REPORTS FOR 2014/15

1) E&D and Safeguarding arrangements

Internal auditors introduced this report and drew members' attention to section 1.2 which is the conclusion – a green RAG rating has been provided. Auditors confirmed that in their view this is a very important part of College provision and that it was really impressive to see such excellent results. The Committee were advised that following audit work there was 1 medium and 2 low priority recommendations made, these are set out within section 1.4. Good practice suggestions were also referred to at section 1.5.

Members reviewed the action plan recommendations in detail from page

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22 onwards and a number of comments/updates were provided.

- Section 1.2 – it was explained that the receipt of DBS certificates is often a timing issue and that not all roles require an enhanced DBS certificate. That being said, it was acknowledged that no new member of staff should realistically start without having received clearance from the DBS or a risk assessment completed. Governors questioned whether the senior team were sure that resilient processes regarding DBS were in place. The Chief Executive provided assurance that yes they are but what needs to take place is regular reminders to staff to follow the procedures in place. It was agreed that communication needs to be sent to all staff within the organisation to emphasise how important it is to follow processes and procedures. It was agreed that the Deputy Principal would speak to the Director of HR regarding the one instance found during audit testing which showed that a new starter had commenced employment without receiving clearance from the DBS (as reported at page 2 of the report, paragraph 3 of the 'findings'). It was agreed that a verbal update would be provided by the Deputy Principal at the next meeting.

Deputy
Principal

16.4.2015

AGREED: to note the update provided.

2) Framework for compliance with legal requirements health and safety

Internal auditors introduced this report and drew members' attention to the conclusion section at page 27 – a green RAG rating has been given. He explained that 2 medium and 1 low priority recommendations have been made. He acknowledged that the recommendations were not difficult to address and changes recommended would be relatively straight forward to implement. He confirmed that the report covers both staff and student accident and health and safety statistics.

The Committee considered page 31 and questioned why 5.4% of staff have not received the fire safety training required, they questioned what the processes were for ensuring compliance in this area. It was explained that fire safety training is part of mandatory training required to be completed by every member of staff. Every member of staff will have received an email confirming that this online training needs completing. The Committee were given assurance that the senior team have now made it clear that any failures to undertake mandatory training will lead to disciplinary issues if not completed promptly. It was explained that the audit testing would show a snapshot of training completed at any particular point in time therefore staff changes may lead to some individuals being outstanding. It was explained that mandatory training is all provided online so there is no real reason for not completing. Governors were entirely supportive of the fact that noncompliance in this area should lead to a consequence.

AGREED: to note the content of the report provided.

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14.60 **INTERNAL AUDIT PROGRESS REPORT 2014/15**

Internal auditors presented this item and drew members' attention to page 35 which summarises the fieldwork completed to date. He indicated that the timings of two of the outstanding elements were to be varied. The review of curriculum planning and management, ESF contract compliance and Human Resources and payroll will be brought forward and fieldwork completed prior to the April date originally envisaged. The governance and risk management review and follow up may be pushed back to accommodate this.

The Committee were entirely satisfied that the changes proposed reflected a proper risk assessment of the matters to be audited.

AGREED: to note the update provided.

14.61 **INTERNAL AUDIT CHARTER JANUARY 2015**

Internal auditors presented this document which they explained was a professional standards document. All agreed that the content was self-explanatory.

AGREED: to note the content of the audit charter presented.

14.62 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

The Director of Finance introduced this item and confirmed that the updates have been coded - with green text indicating 'completed', red text is a description of how the College is working towards completion and a blank is 'outstanding'.

From the 2012/13 recommendations it was noted that there are currently 2 actions to be implemented, of which 1 is a medium risk and 1 is a low risk. From the 2013/14 recommendations there are currently 6 actions to be implemented, of which 1 is a medium risk and 5 are low. From the 2014/15 recommendations there are currently 5 actions to be implemented of which 2 are medium risk and 3 are low risk. In relation to the 14/15 actions it was acknowledged that some actions were not yet due because of the timings of the reports.

Members reviewed the updating schedule on a line by line basis and noted a number of matters.

- Stock condition report of all College owned buildings is commissioned for completion by the end of February 2015.
- Staffing structure – it was agreed that Mark Albrighton would be asked to publish the current position immediately rather than defer the action any further
- Page 55 – the accident reporting requirement seems to be a repetition of issues raised in other areas regarding delays in

Mark
Albrighton

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reporting. Governors questioned why forms are used rather than online electronic reporting. The Director of Finance explained that the College does not have a full integrated electronic system in place at the current time and that what is really at issue is staff compliance with the need to promptly complete a report whether this be on a paper or online basis. It was explained that this action does not relate to a failure by the Health and Safety teams to get the forms within 48 hours, assurance was given that this is done. What is not completed are all signatures required on the forms for the sake of completeness. The Committee felt that if online reporting was required and introduced on a consistent basis then it would be much easier for the College to pick up and address any trends. The Senior team acknowledged that the College currently does not have a perfect system regarding accident reporting and that improvements could be made. The Committee questioned whether it was possible to bolt on accident reporting to the absence/HR system. It was agreed that the Director of Finance would speak Gavin Peak to assess this possibility. It was agreed that any solution to this problem had to be set against context and the actual size of the issue to be addressed.

Dir of
Finance

Feb 2015

AGREED: to note the update provided.

14.63 INTERNAL AND EXTERNAL AUDIT SERVICE TENDER TIMETABLE 2015

The Director of Finance presented this item and drew a number of matters to members attention:

- The College last tendered for its internal and external audit services in the spring of 2011 at which point KPMG were re-appointed as external auditors and RSM Tenon (now Baker Tilly) appointed as the College internal auditors. The appointment started from the 11/12 financial year for a maximum term of 4 years.
- The tender is now due for issue and the report provides further details and proposals for the Committee in order for a decision to be taken on the format of the tender, the proposed timescales and the way in which potential suppliers of internal and external audit services will be engaged by the College.
- An assessment of the market has been undertaken and the need for the tender to be OJEU compliant will to a large degree drive the necessity to use a compliant framework agreement.
- The value of the likely supply of services falls below the OJEU threshold and as a result the College financial regulations require that the College secures value for money through securing 3 competitive quotations. Due to the importance of appointing appropriately experienced firms offering high quality value for money services, a professionally run tender process outside of the OJEU requirements would appear to be the most appropriate option for the College to pursue.

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- The current crescent purchasing framework (CPC) provides a number of quality assured firms from which Colleges may choose to deliver the services. Whilst it is a useful source of suppliers to such services, not all nationally recognised suppliers of internal and external audit choose to tender for the CPC framework for a variety of reasons. When the College last tendered for services it selected a field from which to receive proposals which included all of the CPC suppliers in addition to KPMG who were the incumbent.
- In order to ensure that the College tests the market thoroughly and remains compliant with its own financial regulations, in addition to securing value for money it is proposed that the College runs an open non OJEU tender, based on the CPC suppliers and the major firms operating in the FE sector. The invitation to tender will be placed on the Colleges website in addition to the Government contracts finder portal for wider circulation. In addition to this the College will use the In tend tender portal which provides a structured framework for formal and consistent communication and information handling across all proposals.
- The tender period will be for a 3 year award, with the option to extend for a further year. Price proposals will be requested at tender for structures seeking to maintain value for money throughout the initial contract period.

Members' attention was drawn to the proposed tender timetable as set out in section 15. Key dates for the Committee were presentations by shortlisted suppliers on 16th April which will lead to a recommendation at the Audit Committee meeting on the same date. Contract start date is proposed as 1st August 2015, however for internal audit the period between April and August will be important as this will form part of the planning process. The Director of Finance confirmed that if Committee members want to see the full terms of tenders then he will be happy to provide them once received. The initial intention is to look to pick the best 3 suppliers from the evaluation process for each element of audit. He confirmed that it is possible to split presentations from internal and external audit on to separate days but that initial proposals are to have them all scheduled on 16th April 2015.

Governors were supportive of proposals made and indicated that they would like to know in advance of shortlist the full list of all companies who have tendered.

Director
Finance

March
2015

The Clerk confirmed that she would liaise with the procurement Director to ensure that all appropriate dates are in Committee member's diaries.

AGREED: to

- a) approve the tender process proposed
- b) approve the publication process for attracting suppliers of internal external audit services

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c) approve the proposed tender timeline.

14.64 **RISK MANAGEMENT UPDATE**

The Director of Communications and Marketing introduced this item and drew members' attention to the risk register presented from page 62 onwards. She drew members' attention to a number of changes to the risk register.

- Risk priority 2 – Studio School implementation has been deleted from the Colleges strategic risk register. The focus of this risk was related to the completion of building works, with this now complete the executive felt that other risks were being adequately managed and overseen by the Studio School Board. Whilst there may be some reputational risks to the College particularly relating to student recruitment and performance, these were not felt to be significant at this time. A summary of the Studio School risk register is now included with other subsidiary companies risks in the first section.
- Risk priority 6 – curriculum planning – this has been significantly revised to capture risks associated with the Colleges delivery against LEP priorities, this more accurately reflects the real risks to the College, especially in light of the growing importance of LEPs, the focus on localism as part of the OFSTED inspection and the potential for further devolution of powers to regions. There are actions identified to include more employer engagement within curriculum planning and development processes.
- Risk priority 7 – property strategy – this has been significantly revised to reflect current risks now that the new build programme is complete. Risks relate to the implementation of the higher level skills centre, the refurbishment programme for the remainder of Derby Road and College disposals.
- Risk priority 15 – safeguarding and equality and diversity – an action has been added to the contingent risk register relating to radicalisation and extremism. The Government are set to publish new duties for Colleges in relation to the protection of people from radicalisation and extremism. The College will need to develop a comprehensive policy and provide staff and Governors with adequate training. Whilst this is planned for February to April of this year members were asked to note the addition to the register at this time. This has slightly altered the risk score against this risk however not sufficiently to warrant its elevation on to the significant risk register.
- Progress against risk mitigation activity – the KPIs relating to the Colleges risk mitigation activity are included within the report. They were in the main discussed in detail as part of the KPIs reported present to the full corporation at their meeting on 9th February. Key points brought to members attention:
 - a) The College has not made the progress expected in relation to work related training risk mitigation activities, this has received a red RAG rating largely as a result of lower than

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- planned income levels, particularly from adult apprenticeships delivered through partner providers.
- b) Good progress continues to be made against reputational risk mitigation objectives. The College continues to maintain a positive reputation locally which has been enhanced through the first term with a number of high profile and well attended events
 - c) Satisfactory progress is being made against quality and financial risk mitigation objectives.

During general discussion it was explained that further results from the observation/inspection work undertaken by Click may impact upon mitigation regarding quality risks. The Committee also felt that in relation to teaching and learning risks may need to be themed e.g. Maths and English, Study Skills, marking etc. This is to give a real focus on the issues to be addressed. The Committee were advised that all teaching staff have undertaken the BKS assessment in relation to English and Maths. It was felt that the executive team could do more to follow up this result with actions to address any issues identified. The Principal confirmed that this would be progressed.

Principal

March
2015

AGREED: to note the update provided.

AOB

There were no items of additional business.

(Auditors and members of staff left the meeting at 6.40pm)

DATE OF NEXT MEETING – it was confirmed that the next scheduled meeting was 16th April 2015.

CONFIDENTIAL ITEMS

It was agreed that confidential items would be recorded separately.

Signed : _____Chair

Date: