



**WEST NOTTINGHAMSHIRE COLLEGE
CORPORATION BOARD
AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held in the Boardroom at the Derby Road site on Thursday 6 October 2011 at 5.05 pm.

COMMITTEE MEMBERS PRESENT: Chris Bodger
Nevil Croston, Chair
David Overton
Diana Gilhespy

ALSO IN ATTENDANCE: Maxine Bagshaw, Clerk to the Corporation
Andrew Martin, Director of Finance
Tom Stevens, Executive Director: Capital Projects & Estates
Carl Teigh, KPMG
Louise Tweedie, RSM Tenon

		ACTION by whom	DATE by when
	It was noted that the auditors had not wanted to meet with the Committee without managers present.		
11.25	<u>DECLARATION OF INTEREST IN ANY ITEMS ON THE AGENDA</u>		
	The Chair reminded members to declare any interests that they may have on the agenda. No interests were declared.		
11.26	<u>WELCOME INTRODUCTIONS & APOLOGIES FOR ABSENCE</u>		
	Apologies for absence were received from Asha Khemka and Andy Argyle (KPMG).		
11.27	<u>MINUTES OF THE MEETING HELD ON 23 JUNE 2011</u>		
	AGREED: to approve the minutes of the meeting held on 23 June 2011.	Chair	6 Oct 2011
11.28	<u>MATTERS ARISING AND ACTION PROGRESS REPORT</u>		
	In terms of matters arising from the minutes, the following was noted:		
	<ul style="list-style-type: none"> • Page 4 - Grant Thornton have not yet provided the final version of their Internal Audit Report for 2010/11. It was agreed that this matter would be deferred to the next meeting with the Director of Finance to contact Grant Thornton and obtain the final document. • The Joint Audit Code part 2 has been put on hold and therefore auditors are working to the standards and guidelines set out in the LSC Audit Code. The YPLA and the SFA have 	Director Finance	10 Nov 2011

Signed : _____ Chair

Date:

ACTION by whom	DATE by when
Internal Auditors	10 Nov 2011
Director Finance	Nov 2011

now approved terms of contract between Internal Auditors and Colleges, which Internal Auditors confirmed they were compliant with. It was agreed that Internal Auditors would provide a copy of the YPLA and SFA contracts at the next meeting.

- Page 10 – Nigel Quinton has now moved on and unfortunately did not share any good practice before he did so, this is therefore, not an action that can be progressed.

Members then went on to review the action progress table with one additional point being noted. It was confirmed that the workshop training to be provided by auditors was intended to be the Joint Audit Code, obviously as this is now on hold, it is not an appropriate topic for training. It was agreed that the Director of Finance and Internal Auditors would review sector developments and agree upon the content of a training workshop.

11.29 INTERNAL AUDIT ANNUAL PLAN 2011/12

RSM Tenon introduced this report and confirmed that it was intended to be a progress summary to bring the Committee up to date with audit planning developments. Internal Auditors confirmed that they have not carried out any 'on site' work yet but have had a number of meetings with the Director of Finance to finalise arrangements. Members' attention was drawn to one change in the audits planned for 2011/12 and this relates to the Learner Numbers audit anticipated. It was explained that this has been put on hold as the College has been selected for an ILR audit by the SFA, therefore if Internal Auditors do work in this area it will lead to duplication. Members' attention was drawn to appendix A, which sets out the timetable of planned audit work.

Internal Auditors then went on to give more detail in relation to the content of appendix B, which is a sector update by way of client briefings. Of particular note was the following:

- FMCE – this return now has extra questions. It is important that the College team looks at the content of questions even if only submitting the short forms.
- 'Next Steps In Implementing FE Reforms' could have a big impact on the FE sector, particularly in relation to deregulation. This Government initiative flows from PAC Committee review, although it was noted that there are no imperatives from the PAC Committee to take action on any points at this stage.
- Across the sector the withdrawal of EMA seems to have had a lesser impact than had been originally feared. It was noted that anyone who is unemployed is entitled to fee remissions. This change was announced in August 2011 and should be compared with the previous policy statement that only remissions would be offered to individuals in receipt of work based benefits. Generally, this has caused confusion within

Signed : _____ Chair

Date:

- the sector and has led to a number of colleges having to make a u-turn in its stated policies to learners.
- The College has been selected for a Learner Numbers audit in the week commencing 24 October 2011. This will be undertaken by RSM Tenon. Members were advised that the report results will be presented at the next meeting of this Committee.
 - FMCE – the College has submitted a short return for the last two years, but will have to complete a full document this year. The full FMCE questionnaire will be presented for review at the next meeting.
 - Deregulation briefing is to go to the Board at its meeting next week. A particular change noted, which will have an impact upon the College, is the lack of permission needed from the Secretary of State in the new environment regarding borrowings. The Director of Finance explained that this external check that operates now, if removed, could make banks reconsider their position regarding risk. A potential consequence of this is that the Secretary of State may introduce borrowing controls for the whole of the sector.
 - EMA withdrawal has evidenced itself in College by an increased use of the bus service. Students have significantly increased their use of the College bus service, which has led to the College having to put on additional provision in this area. As a consequence, the College may need to make a decision regarding additional costs, although this is something to be reviewed after Christmas as this is traditionally a time when the College sees a drop in student numbers. There is the potential that students will withdraw at a greater rate than in previous years, because the EMA payment was dependent on attendance and there is no longer this incentive to return to College. Post Christmas withdrawal is a difficulty experienced across the whole sector.
 - The College, at the moment, looks to have a very positive position regarding learner numbers. It is not possible at this stage to calculate the financial position as some of the SFA software is having problems. Although good indications on volumes should lead to a positive position.
 - Funding arrangements for 16-19 education and training will be based on a LAG learner numbers.

AGREED: to note the update provided.

11.30 COLLEGE COMPOSITE RECOMMENDATIONS & PROGRESS AGAINST INTERNAL AUDIT RECOMMENDATIONS

The Director for Communications and Marketing introduced this item and it was agreed that items 6.1 – 6.3 would be taken as a whole. She explained that the purpose of her reports was to provide members with a comprehensive review of the College's progress against recommendations made by external bodies and,

ACTION by whom	DATE by when
Director Finance	10 Nov 2011
Director Finance/ Clerk	10 Nov 2011

Signed : _____ Chair

Date:

ACTION by whom	DATE by when

in particular, internal audit. Members' attention was drawn to the table explaining reasons for non implementation of outstanding external audit recommendations. Here four items were noted, one a low recommendation, two medium recommendations and one an improvement suggestion. In relation to these the following detail was given:

- a) Exam Procurement – the implementation of this recommendation has been delayed because of the School restructuring exercise, it will be implemented by the end of the 2011/12 academic year.
- b) Staff Utilisation – the College does not have sufficient confidence in the systems in place at this time, so additional work is being undertaken. The College is working on data collation processes. The completion date has been moved to the end of 2011/12 as a consequence.
- c) Procurement and Payments – this is on track for completion by the October 2011 deadline.
- d) Debt Collection and Creditor Payments Recommendations is still being reviewed. It was acknowledged that it is not always possible to make one monthly payment, particularly at a time when lots of payments are to be made to contractors regarding the new build. The College is still considering whether or not this is an appropriate recommendation to accept at this time.

AGREED: to note the content of the update provided.

11.31 RISK MANAGEMENT UPDATE

The Director of Communications & Marketing introduced this item and confirmed the following:

- The Executive Team have considered the College`s risk register at a meeting on the 26 September.
- Changes to the level of certainty surrounding risks, plus the College`s track record in mitigating risk has led to a number of risks on the register being re-scored in terms of their residual score.
- This reduction in residual score does mean that the College`s control dependency has increased in some areas, this means that the College is reliant on effective internal control mechanisms to continue risk mitigation.
- Risks relating to data usage have been re-scored and are now considered high risk, this was felt necessary as a potential move to outcome driven funding and increasing pressure on the sector to publish data about their performance and the destinations of the students.
- Risks relating to Safeguarding and Equality and Diversity have been moved onto the contingent risk register to reflect the College`s track record in both these areas and as a result of the removal of these areas as limiting grades as part of OFSTED inspections.

Signed : _____Chair

Date:

The Director of Communications & Marketing explained that since the complete review of this register, some of the risks have now become clearer, particularly in relation to the consequences of the staff restructure and the Common Inspection Framework. She explained that this has led to changes in the risk scoring and also a significant contributing factor to some of the changes is the strong financial performance seen in 2010/11. Whilst some risks remain on the register, the impact is less of a worry. In terms of mitigating risk, it was acknowledged that the use of partner network is a very beneficial tool but that this comes with its own risks, particularly in relation to control regarding quality.

Members reviewed the risk of reliance in relation to public funding in more detail and questioned whether the College should be setting itself a target of a percentage increase in relation to non-public funded income. Members were reminded that full cost work currently stands at approximately £0.5million, and that this should be compared with the annual turnover of the College, which is approximately £40million. Members questioned whether there was the ability to speed up the response time in relation to commercial opportunities. It was felt that this was potentially an issue for business development, which in itself has capacity concerns. Members debated whether the business development unit should have a target regarding an increase in non-public funded income and then should seek to identify a delivery method once the work has been obtained.

Of particular note on the register was the following:

- The recruitment of students is a risk that has been downgraded as the College has not seen such a significant impact following the withdrawal of EMA as feared.
- HR – restructure impact was not as adverse as originally feared.
- Data usage has seen an increased risk score. Use of data in the sector is expanding and therefore the College really needs to ensure that its systems are robust and the data on the systems is accurate.
- Safeguarding and E&D has been removed. The College has moved a long way in two years and this should be seen in context as the removal of both as limiting grades in the Common Inspection Framework.
- The College has an 85% reliance on public funding which makes it vulnerable to change in Government policy. Currently there is an impetus for growth in the apprenticeship programme, a change in this policy would have a big impact upon the College. The College has, in the past, been successful in using its partner network to help mitigate the impact of changes in Government policy, particularly relating to Train to Gain. It is envisaged that the current partner network would allow the same flexibilities.

Signed : _____ Chair

Date:

AGREED: to note the update provide.

11.32 CONSTRUCTION & BUILDING SERVICES PROPOSAL

The Director of Finance introduced this item and confirmed that the proposal goes to the heart of development of commercial activity. It was acknowledged that the College has always had the desire to expand in this area, but has not formally done so. To address this, the College has now put in place proposals for each School of Learning whereby they can make a business case for expansion of commercial activity.

The Director of Finance explained that the proposal before the Committee this afternoon is a business case to expand into the commercial gas market. Members were advised that the College currently offers a domestic gas programme, but this proposal would venture into new markets. Members were advised that the equipment for the two areas of provision is very different and therefore the expansion proposal comes at a cost.

Members were advised that the College has made the investment in some of the equipment needed and has finalised its provision delivery dates. Initially the Department will be looking to expand from its existing customer data base and thereafter there will be targeted marketing because of the very specialist nature of the courses run. It was confirmed that this extended provision has been running since the 1 October 2011. The document provided to the Committee this meeting shows what the team have had to prepare to meet a business case justification for expansion and that the College has taken a very commercial view and identified a need for a business proposal. The intention is that this business proposal is to be used as a framework process both for establishment of extended provision and to provide control processes.

Members all agreed that expansion into non-public funded work was the right direction of travel. One comment made was that in reviewing business proposals submitted there would need to be an assessment of accommodation and space planning at the same time, as this is a critical link area. Members all agreed that it was pleasing to see the College doing something practical to move forward its aspirations in this area. Members were advised that the expanded provision would be subject to six monthly reviews. It was noted that there are opportunities to create expanded provision in the Creative Arts facility, and that the College would be looking for this department to do a similar exercise.

AGREED: to note the update provided.

Signed : _____Chair

Date:

ACTION by whom	DATE by when

11.33 AUDIT SERVICE SECTOR UPDATE

As discussed at the beginning of the meeting, it was the intention that the Joint Audit Code of Practice would be discussed. As this is now on hold, it is no longer appropriate to expend time on its discussion. KPMG confirmed that their External Audit Report, which would be presented to the next meeting, would include a sector update. External Auditors confirmed that they have started their on-site work and that there is nothing that they would wish to bring to Governors` attention at this time.

11.34 AOB

The Committee Chair raised one issue of additional business and this related to the fatal accident involving a student outside the College premises. The Director Communications and Marketing confirmed that Police investigations were ongoing and that the College was putting in place measures to try and mitigate the risk of this happening ever again, she confirmed the following:

- Some Police sessions are to be arranged regarding road safety and this will be offered to all students.
- A publicity campaign will seek to ensure that students, when crossing the roads, do not get distracted by using MP3's, mobile phones, etc.
- The College is meeting with Nottinghamshire County Council to see if there is the possibility of making the pedestrian crossings more prominent.
- Counselling is to be offered to staff and students.

11.35 DATE OF NEXT MEETING

The Clerk to the Corporation reminded members that the next scheduled meeting was 10 November 2011.

Meeting closed at 6.15 pm.

Signed : _____Chair

Date: