



**WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE**

Minutes of the Audit Committee meeting held in the Boardroom, Derby Road site on Thursday 3 April 2014 at 5.05pm

BOARD MEMBERS PRESENT: Chris Bodger
David Overton, Chair

ALSO IN ATTENDANCE: Maxine Bagshaw, Clerk to the Corporation
Tom Stevens, Executive Director: Capital Projects & Estates
Andrew Martin, Deputy Principal & Director of Finance
Louise Knott, Director: Communications, Marketing & Learner Engagement
Louise Tweedie, Baker Tilly
Dan Hayward, KPMG
Graham Howe, Vice Principal: Business Development

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

14.12 DECLARATIONS OF INTEREST

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

14.13 WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE

Apologies for absence were received from Diana Meale, Chris Winterton and Dame Asha Khemka.

14.14 MINUTES OF THE MEETING HELD ON 13 FEBRUARY 2014

It was noted that the spelling of Sacha McCarthy should be with a 'c' and not an 's'. Except for this it was agreed that they were a true and correct record.

AGREED: to approve the minutes of the meeting held on 13 February 2014.

There were no matters arising from the minutes.

14.15 MATTERS ARISING AND ACTION PROGRESS REPORT

Members reviewed the action progress table and noted/agreed the following:

ACTION by whom	DATE by when

Signed : _____ Chair

Date:

- Item 1 – complete
- Item 2 – the College is still awaiting SFA finance record publication for 2012/13. The Director of Finance confirmed that benchmarking could be undertaken once this information was provided to the sector.
- Item 3 – ongoing
- Item 4 – scheduled for June 2014
- Item 5 – scheduled for June 2014
- Item 6 – completed.
- Item 7 – scheduled for June 2014
- Item 8 – on the agenda
- Item 9 – on the agenda

AGREED: to note the update provided.

14.16 INTERNAL AUDIT

1) Progress Report 2013/14

Baker Tilly introduced this item and confirmed that there were seven reports still to be completed and presented to the Committee at its next meeting. She indicated that there should have been two additional reports to this meeting, but explained that they had had to postpone the fieldwork as a Senior Auditor had been signed off work sick. All agreed that there was a better flow of reports in this academic year and it was confirmed that this would improve further in the 2014/15 year.

AGREED: to note the update provided.

2) 24+ Advanced Learning Loans

Baker Tilly introduced this item and confirmed that, following audit work, they were able to give an amber opinion. She indicated that taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However, Auditors have identified issues that, if not addressed, increase the likelihood of the risk materialising.

In reviewing the report a number of items were specifically noted:

- 24+ advanced learning loans are available for FE learners aged 23 and over studying at level 3 and above (including advanced and higher apprenticeships) for learning aims starting from August 2013. The loans are managed by the Students Loan Company, who currently administer loans for higher education students. A review of the SLC database at the time of audit highlighted that the College had 257 loan applications with 201 currently with approved status.
- The audit was designed to assess the controls in place to manage compliance with the requirements of the SLC in respect of the

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Date:

processes for the 24+ loans and with the Skills Funding Agency in respect of the bursary fund for loan funded learners.

- The audit led to three medium priority and two low recommendations.
- In respect of the procedural framework for 24+ loans and the associated bursary, the College should document procedures relating to the management and administration of:
 - a) 24+ advanced learning loans – this should contain, but not be limited to, checks undertaken before initial and subsequent notification, changes of circumstance, including communication with the Learner where the change would affect the value or repayment of the loan/fee.
 - b) 24+ bursary fund – this should contain, but not be limited to, the application process, childcare support, appeals process, process for distributing available funds at the mid year point and process for dealing with available funds at the end of the year. The procedure should be established for the start of the 2014/15 academic year. The College should also provide clearer detail on how to apply for the 24+ loans and bursary funds to its learners, detailing all processes involved.
- In respect of communication with learners, the College should ensure that all learners are sent a formal learning and funding letter and that these are held on file. The letter should also include the course start and end dates. The College should also provide a change of circumstances letter to all learners, where a change of circumstance has been processed that would affect the amount of their loan, (such as transferring to a course with a different fee), or liability for further instalments, (such as withdrawing and further payments liability ceasing to rest with the SLC). In general discussion regarding this item it was acknowledged that there needs to be an improvement in control and was more about ensuring a clear audit trail rather than funding implications. It was agreed that there was a need for College staff to be methodical in this area.
- The Credit Controller should be sent a monthly report from Data Managers highlighting any changes to 24+ loan learners, so that changes can be actioned on the SLC portal as part of the month end debt process. Where changes are actioned a screen print should be taken to evidence the date effective. Furthermore, the checks on attendance undertaken by the Credit Controller should be evidenced. All acknowledged that this was a matter of recording withdrawals on a more timely basis.
- The College should ensure that timely notification of initial learner attendance is made, ie, two weeks after the start date of the learning aim. It was acknowledged that if this is not done then there will be an implication on cash flow.
- Student reports should maintain action logs detailing outcomes for meetings held with the Student Finance Team and Head of Student Support to monitor actions.

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In general discussion it was acknowledged that this is a new system and set of processes for FE and is complicated by the fact that there are a number of cross College teams involved in the process. To improve the position it is important that the College integrates the teams to ensure consistency and timeliness. The Director of Finance indicated that the College has scope to increase the size of its loan facilities available and, therefore, it is important that the systems in place are robust. It was acknowledged that, whilst it is a small part of funding at the minute, this will increase. All Governors agreed that there was a need to ensure that the data was accurate as, if not, the College could be claiming income that would ultimately have to be repaid.

AGREED: to note the content of the report provided.

3) Learner Number Systems – 16-18 provision

Baker Tilly introduced their report and confirmed that they were in a position to provide a green audit conclusion, taking account of the issues identified the Corporation can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently designed and effective.

It was explained that the sector has seen a significant change in relation to 16-18 provision and 450 hours is now the minimum number of hours for a learner to be classified as full time. At the time of the audit, the 16-18 learner population for the College was:

- 540+ hours – 2625 Learners.
- 450 – 539 hours – 163 Learners.
- 360 – 449 hours – 36 Learners.
- 280 – 359 hours – 18 Learners.
- 279 hours and below – 393 Learners.

For 2013/14 Learners in the 450 – 539 hours of learning are funded at the full time rate of £4000 per learner. The Education Funding Agency has confirmed that by 2015/16 at the latest these Learners will be funded at a part time rate. As such, it is important that the College continues efforts to ensure learners are on full time programmes, where appropriate to the learner.

Auditors confirmed that their work had led to five low recommendations. All agreed that this was a good audit for a new area.

Members discussed the recommendation at paragraph 1.7 in detail and questioned whether the accurate recording of class lists was an endemic problem similar to issues previously seen with registers and attendance. Assurance was given that this is not the case. It was explained that whilst it is a challenge, the College needs to ensure that an efficient process is in place that is not a burden on staff and tutors.

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Members generally discussed study programmes and were advised that this is a very hard area to plan and evidence at the beginning of this year as there are so many variables, eg, volunteering, enrichment, work placements, Maths and English GCSEs and other wider learning. It was acknowledged that, again, this is a new area and that development of processes and planning is an ongoing process.

AGREED: to note the content of the report presented.

4) Strategic Delivery

Baker Tilly introduced this report and were able to give a green rated conclusion, which means that taking account of the issues identified, the Board can take substantial assurance that controls on which the organisation relies to manage this risk are suitably designed, consistently applied and effective. It was confirmed that the audit was designed to assess the controls in place to ensure that the College delivers planned strategic initiatives efficiently and effectively.

In undertaking the audit work a number of items were noted:

- The College has a business plan in place for the period 2013/14 to 2015/16 approved by the Corporation on 11 July 2013.
- The College has developed a strategic vision 2013 – 2015 document detailing five key deliverables and measurable outcomes based on discussions held on the Governors residential planning conference held on 20/21 June 2013.
- The risks detailed on the College's Corporate Strategic Risk Register are linked to the College strategic drivers with signed Executive and Corporation Board owners.
- The Executive Team meet fortnightly to discuss operational and strategic matters and to monitor progress against agreed annual targets.
- In October 2013 the College appointed a new Director of Strategy and Innovation to help implement the College strategic objectives and to provide capacity to respond to further opportunities.
- The College continues to face a number of strategic challenges in respect of its existing business, in particular the performance of VWS in respect of 16-18 apprenticeships, which has a financial impact at Group level.
- Whilst managing the existing business, the College also maintains a focus on the future, which is clearly reported through the Principal's report at each Corporation meeting.
- The introduction of the role of the Director of Strategy & Innovation with a remit to lead certain initiatives and facilitate others has provided a greater level of capacity to continue to focus on the strategic challenges of the future.

In general discussion it was acknowledged that the College needs to be able to balance internal and external changes and challenges. All agreed

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that the appointment of Andrew King as the Director of Strategy & Innovation had been a really good appointment and had built in the necessary capacity required. All Governors were pleased to note the green opinion given.

AGREED: to note the content of the report provided.

14.17 PROGRESS AGAINST INTERNAL AUDIT RECOMMENDATIONS

2009/10

- Academic staff utilisation – all acknowledged that there had been considerable discussion regarding this item at the last meeting. It was confirmed that there has been no movement since. It was agreed that as this is an ongoing matter for management review, that it would be taken off this schedule and monitored internally.

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April 2014

2012/13

- Income and debtors – the Director of Finance confirmed that he was currently reviewing this.
- Financial planning, budget setting and monitoring forecast – the College has significantly changed the procedures and will continue to review.
- Data protection – implementation of this action has been delayed until the new Head of IT is in place.
- Capital projects – the College is moving towards the conclusion of consolidating its estate and a final report will be completed in September 2014.
- Estates management – a booking system is now in place. The next step is to agree and establish some KPIs, which will help to move this action forward.

2013/14

These items are not due for completion yet as they have been newly added. A report on these will be provided as the deadline approaches.

AGREED: to note the update provided.

14.18 RISK MANAGEMENT UPDATE

The Director for Communications, Marketing and Learner Engagement introduced this item and confirmed that the purpose of her paper is to give an update to the College's Risk Register following detailed discussion by the College's Executive Team on 24 March. She indicated that very few changes have been made to the College's strategic risk register. However, members' attention was drawn to some changes to risk status:

- The most significant change to the register relates to financial stability at risk priority 4. Sources of assurance are currently not deemed as adequate by the Executive Team. This relates entirely to

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Date:

the challenging funding settlement. The Director of Finance indicated that there was no doubt that the whole sector is entering into a further period of turbulence. The College has received its allocation for 2014/15 and are currently working out what needs to be done to mitigate the reductions. It was confirmed that there are a number of actions required and these will be reported to the Board at its meeting in May, when the context for the 2014/15 budget will be discussed.

- At risk priority 1 – risks related to the current restructure of Vision Workforce Skills have been added and perhaps most significantly the impact that the restructure will have on the continual operations of the business. Senior Managers are working hard to minimise the impact on those areas of the business, largely unaffected by restructure.

The Vice Principal: Business Development took the opportunity to provide an update on the VWS restructure process. He confirmed that they were currently approximately 50% of the way through. The Senior Team have had the second consultation meetings and it is envisaged that by the end of the week all staff will know the outcome of the selection process. In terms of reputation, the Company seems to be holding its own. The workforce has quite rightly asked what the future position will be. It is envisaged that the restructure process will lead to some staff churn. It was confirmed that the Senior Team have been able to work well with the staff representatives. It has become apparent that there was an expectation that some of the centres would close. However, the number of staff posts to be removed from the structure is more of a surprise.

In terms of the business, the pipeline for March and April is strong, but the Company is seeing a slight lag in enrolment/conversion, which will have an impact on the finances. The key going forward is to re-engage the six centres that are to stay open. Members were advised that the Company has 32% more learners in learning in February than December so there is evidence that the business is growing, but this needs to be sustained and accelerated. The restructure process will be concluded on the 18 April as staff leave (although they will be paid until 22 April). The new business model was predicted on the basis of staff leaving by 30 April, therefore, the Company will hit this target.

In discussing the register, members noted that the document now includes a date when actions will be completed, or reviewed, and this is in line with internal audit recommendations. Good progress is being made with actions within the register, most noticeably those relating to the Studio School, whereby the funding agreement has been signed by the Secretary of State.

AGREED: to note the update provided.

Director
Finance

22 May
2014

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14.19 PARTNER ACTIVITY

The Vice Principal: Business Development introduced this item and provided an update on the three whistle blowing notifications received.

Organisation A – the investigation has been fully completed and a formal response has been returned to the Skills Funding Agency. Additional information was requested by the SFA as to the funding values associated with the claims made. This detail is currently with the Director of Finance who will be in further discussions with the Head of Investigations at the SFA. This investigation confirmed that organisation A previously had a resource issue, which had delayed the start of learners on programme. As part of the College's own internal provider reviews, the team were already aware of the situation and sanctions had been applied. This partner has assisted with the investigation and provides the College with monthly action plans in order for the team to monitor all learners' progress. It was confirmed that the investigation showed fraud at worst, bad practice at best and that the SFA want confidence that this is not a widespread systemic issue. It was noted that organisation A has a direct contract with the SFA too, as well as working as a sub-contractor. Therefore, there may be wider implications regarding future contracts. It is envisaged that the SFA may ask the College not to work with this partner in the future once current Learners have completed. It was confirmed that the e-portfolio software introduced now gives the College access to partner data and this will enable greater clarity and ability to track learner progress in the future.

In relation to organisation A, the College has identified some funds at risk and has put in place an action plan to address. Governors were happy that the College's own internal processes had identified problems with this provider, and had put appropriate sanctions in place.

Organisation B – this investigation has been fully completed and a formal response has been returned to the Skills Funding Agency. Acknowledgement of correspondence has been received, and the College is awaiting further feedback. As part of the investigation, concerns were highlighted around the initial advice and guidance and the lack of information shared to employers and learners about WNC. A follow up meeting has been held with the Managing Director and further actions have been requested following that meeting before a decision is made regarding the future relationship. It was noticed that this whistleblower is a disgruntled employee, and in fact the employer is receiving some strange correspondence from the complainant. Credibility is becoming an issue. However, the College has investigated thoroughly.

Organisation C – this investigation is ongoing and the scoping document has been returned to the SFA. A final report is due to be concluded by 24 April 2014. Early indications highlight that this whistle blowing investigation does not relate to WNC learners and is referenced to a

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partnership agreement. However, the investigation will continue in order to satisfy the College and the Agency that there are no irregularities. It was noted that the College is doing very limited work with this partner in any event and the SFA seem to want assurance that concerns raised with other colleges are not more wide spread.

Members took the opportunity to discuss whistle blowing generally and were advised that over the years the College has had very few whistle blowing reports. Therefore, three in a short period could be more of a blip rather than evidence of lack of control. All agreed that there was a reputational risk regarding whistle blowing claims. However, it was agreed that these needed to be put in the context of frequency over a longer period of time. All staff acknowledged that learners with partners are actually College learners, therefore, there is the requirement to manage partners well. If it is the case that the College is unable to manage a particular partner, then the decision will be taken not to work with them in the future. All acknowledged that there was a distinction between fraud and mismanagement/bad practice. Governors were assured that the problems identified with organisation A would have come to light much earlier if the e-portfolio software had been in place. The introduction of this software now gives greater confidence. In addition to this Sacha McCarthy is undertaking a thorough review of the package of controls and systems in place. All acknowledged that there was a need to learn from the whistle blowing claims and reflect on improved systems. It was accepted that bottom line, the College does not want to be associated with companies subject to this kind of allegation and activity.

AGREED: to note the update provided.

14.20 **AOB**

As a matter of additional business, membership of this Committee was discussed. It was agreed that membership numbers and skills needed to be increased. It was agreed that the Search Committee would be asked to identify additional members, either as full Governors, or on an external co-opted basis.

The Clerk confirmed that she would schedule this as a discussion item for the next meeting of the Search Committee.

Clerk

22 May
2014

14.21 **DATE OF NEXT MEETING**

The Clerk to the Corporation confirmed that the next scheduled meeting was Thursday 26 June 2014 at 5.00pm.

Chris Bodger tendered his apologies for this meeting.

Meeting closed at 6.15 pm.

Signed : _____ Chair

Date: