WEST NOTTINGHAMSHIRE COLLEGE CORPORATION BOARD

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held in the Board Room at the Derby Road site on Thursday, 17 February 2011 at 6.00 p.m.

COMMITTEE MEMBERS PRESENT:	Chris Bodger Steve Carroll Nevil Croston (Chair) David Overton Nigel Quinton
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Martin, Director of Finance Tom Stevens, Executive Director: Capital Projects and Estates Asha Khemka, Principal and Chief Executive Colin Marshall, KPMG Karl Tiegh, KPMG Ian Falconer, Grant Thornton Will Simpson, Grant Thornton

		ACTION by whom	DATE by when
	It was noted that the Auditors had not wanted to meet with the Committee without managers present.		
11.01	**DECLARATION OF INTEREST IN ANY ITEMS ON THE AGENDA**		
	The Chair reminded members to declare any interests that they may have on the agenda. No interests were declared.		
11.02	**WELCOME INTRODUCTIONS & APOLOGIES FOR ABSENCE**		
	Apologies for absence were received from Diana Gilhespy, Steve Carroll and Chris Bodger were welcomed to their first meeting, for their benefit all members introduced themselves around the table as did both internal and external audit service attendees.		
11.03	**MINUTES OF THE MEETING HELD ON 11 NOVEMBER 2010**		
	AGREED: to approve the minutes of the meeting held on 11 November 2010.	Chair	17 Feb 2011
11.04	**MATTERS ARISING AND ACTION PROGRESS REPORT**		
	Members agreed that the action progress report was an accurate reflection of ongoing monitoring arrangements.		

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11.05	**INTERNAL AUDIT REPORTS**		

PROGRESS REPORT

Grant Thornton introduced this item and confirmed that there have been no changes to the plan and that everything is on target to meet the completion date. They confirmed that the last part of work is progressing to plan. Members were reminded that a deferred item on the plan is Governor Engagement and that work will be completed within the estimated 60 days, this being 52 days against the plan and 8 days of additional work undertaken regarding investigation of suspected fraud within the College. Members' attention was drawn to the report format/template and changes were discussed. It was agreed that the implementation of the changes brought about greater clarity.

EQUALITY AND DIVERSITY

Grant Thornton introduced this report and drew members` attention to page 19, which sets out the background of the audit work completed. They confirmed that, within paragraph 1.3, positive assurance could be given following review work undertaken. They advised that there was one recommendation, which flowed from the audit, but that this is of low priority. Members' attention was drawn to paragraph 1.5 and the areas of good practice seen, auditors commended the E&D focus seen at College. By way of additional information, members` attention was drawn to paragraph 1.6 which is alternative E&D schemes and initiatives seen elsewhere in the sector. It was acknowledged that these were not being put forward as better processes, just examples of how E&D is being dealt with in other organisations.

In general discussion, members were advised that the E&D processes at WNC are very positive when compared with other colleges seen in the sector, and indeed the College has been very proactive in its development of this area. Auditors confirmed that this area being reviewed was to give the College positive independent assurances that all was progressing at an exceptionally high standard.

The Principal confirmed that the College has had two thematic reviews on Equality and Diversity by OFSTED and that, as a consequence, they are using the College as an exemplar.

CURRICULUM PLANNING

Grant Thornton introduced their report and confirmed that, as expected by Management, the audit raised some issues to be addressed. They indicated that, overall, they were able to provide a qualified opinion. Members` attention was drawn to page 30 and the note that the curriculum planning process at this time does not require Schools of Learning to assess course viability

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and that viability, instead, is assessed at the overall School level. They indicated that given the cuts in funding, the College should be aware of those courses which do not meet the financial targets, and only run them where there is a strategic benefit. Members' attention was drawn to the detailed findings set out from page 32 onwards, it was noted that there was one high recommendation and four medium recommendations. In terms of the audit findings, members were given the assurance that the work undertaken was to give the College an idea of what it should aspire to, to keep ahead of the 'pack', and that the extra steps recommended would put the College in a much more financially astute position than many other colleges.

The Finance Director indicated that he had found this a really useful piece of work and that the changes recommended are being implemented within the current planning cycle. He advised that, traditionally, the College has operated a 'bottom up' process for curriculum planning but that this year there has been a 'top down' approach based on numbers and funding opportunities. The Principal confirmed that this supports the College's aspiration for leadership at every level and that the course leaders and Heads of School have been given the challenge of factoring in financial viability in any decisions made. She confirmed that, within the new processes, ownership of the curriculum plan will be with the Heads of School and that, because it requires their sign off, there will be much greater scrutiny of course proposals.

Members discussed the costing software used by the College and whether this allowed sufficient control. The Finance Director acknowledged that the software in place currently does not allow the recording of cost down to course level and that it is simply technically not possible at this stage, as the learner record system is not integrated. He advised members that the Management Team do have an annual balancing exercise, but that the data is not available as a live system. He indicated that the current system allows the College to be certain regarding attendance, success rates and there is the ability to compare year on year and trends, it is his belief that the College does have all the data and tools it needs to assess viability, but it is just 'pulling all the data together'.

One member of the Committee raised an issue regarding the Internal Auditors Service Level Agreement, it was acknowledged by auditors that they had missed the twenty day deadline. It was suggested this was as a result of significant work in this area and some considerable internal moderating regarding the findings and recommendations.

INCOME GENERATION

Grant Thornton introduced their report in this area and confirmed that their focus had been the pilot scheme being undertaken in the Construction area. Members' attention was drawn to paragraph

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1.3 and the positive opinion given, it was noted that there were six recommendations following the audit work, three of which were medium priority. The Finance Director confirmed that, within the pilot scheme, the College is looking at issues of succession planning and that in particular there are some specific areas of niche expertise. It was acknowledged by the Committee that the College is constantly ambitious to grow its full cost income, and that to facilitate and encourage this they have introduced a Business Proposal template. This template is available to all areas with the encouragement to be innovative, but properly cost out any suggested full cost work. It was acknowledged that the pilot scheme in the area of Construction is in a very competitive market place. Members were advised that there will be an evaluation process undertaken of the pilot scheme with a report to this Committee at its June 2011 meeting.	Fin. Dir.	23 June 2011

11.06 <u>AUDIT MONITORING</u>

COMPOSITE COLLEGE RECOMMENDATIONS REPORT

Members agreed to note the Composite College Recommendations Report.

PROGRESS AGAINST INTERNAL AUDIT RECOMMENDATIONS

Members' attention was drawn to page 76 which clearly identifies progress made regarding 'outstanding internal audit action recommendations'. The Finance Director made specific comments on the following;

a) IT Security - he confirmed that the College has now seen a significant change in how it runs IT and there is, in fact, a new IT Director in place. He advised that security used to be updated on a machine by machine basis, and that with 2500 machines owned by the College this was a very impractical way of ensuring updated security. He explained that the College now has the ability to remotely upgrade across the whole network and that this is significant progress. He advised members that, although actions remained outstanding, progress was being made in what was a very challenging area.

b) 2009/10 – a lot of these actions are part complete and

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have in fact been acted upon, but it is the case that the College is not yet in a position to demonstrate outcomes. He confirmed that timescales have been put in place regarding all the outstanding recommendations, and these timescales will be achieved.

Members noted the reasons for non-implementation of outstanding internal audit recommendations, detailed at pages 78-80.

11.07 AUDIT SERVICE SECTOR TRAINING – JOINT AUDIT CODE OF PRACTICE

Grant Thornton led on this item and confirmed that the final joint audit code of practice has not yet been published. By way of background, they indicated that, with the multiplicity of funding streams and regulators, there had been the identified need for one code that encompasses the whole sector. They advised that part one has been published and sets out the high level objectives. Part two, which is as yet unpublished, is intended to be the detail by which the high level objectives are achieved.

They advised that there have been various drafts of the joint audit code of practice and that the YPLA and the SFA have sought to harmonise processes. The requirement for harmonisation has been driven by the treasury and the drafts seen to date seem to go someway to achieving this. They advised that the audit sector had been informed that a number of steps are required before the final document is published, and these are, 1, edit for consistency, and 2, establish the future of the SFA and YPLA.

Grant Thornton indicated that there was talk that there may need to be two codes after all given the uncertainty regarding the SFA and YPLA, but that this remains an unknown at this time.

Grant Thornton confirmed that the new code would mean certain changes for the Audit Committee and that a lot of the new Audit Committee framework will be built around the Treasury Audit Committee handbook. The intention being to bring it in line with Treasury processes. Members were advised that there would be certain rules, and these would relate to Membership, Quoracy, Annual Assessment, Duties, Terms of Reference, Annual Reports on Risk Management and Control Opinions etc. All of which, it was acknowledged, that WNC does in any event.

In terms of the old versus the new, internal auditors confirmed that the old code was very cumbersome and the new code is much less prescriptive and risk based. The code proposes that there is a specific internal audit charter needed, it was acknowledged that this is something that Grant Thornton’s audit plan already

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includes. There will also be the requirement that any non-audit work done by the internal audit service is to be transparent, again this is something that Grant Thornton already reports on.		

In terms of external audit, members were advised that the scope of the audit work will not widen and there is the belief that the regularity audit will stay.

Colin Marshall then took the opportunity to provide a general sector update and the following was noted:

- 16-18 funding – there will be a vast reduction in entitlement with an expected 75% cut. The impact to colleges will depend on how they deliver enrichment activities. Colleges will need to take an innovative approach to this constriction in funding.
- Sector will see a reduced cap in funding and this will lead to a critical need for curriculum challenge.
- Good news on ALS and increases will be seen to the disadvantage fund.
- Withdrawal of EMA.
- Whilst colleges have had indicative allocations, they still do not know the final budgets.
- Withdrawal of Train to Gain.
- The adult provision will see the biggest cuts and colleges will, as a consequence, need to look at diversification of income. The clear steer is that colleges need to obtain more fee income from learners, this is a big challenge for most colleges.
- JSA and ESA – colleges will have to ensure that they have appropriately designed courses/programmes
- Three main challenges for the sector:

    1. having to deliver more for less;
    2. need to increase fee income across the board;
    3. reduction on reliance on agency funding.

The Principal confirmed that, in her view, the College's real challenge is increasing its fee income as there is a veiled threat from the SFA that penalties for failing to collect fees will be levied. In addition, the criteria for fee remission will provide a huge challenge for the College and its students. The way forward has to be to focus on efficiencies, reducing the College`s cost base and looking at sharing services as a key goal. This will necessitate the College looking at its infrastructure.
AGREED: to note the Audit Service Sector Update.

11.08 <u>RISK MANAGEMENT</u>

The Director of Finance drew members` attention to the risk register and the clearly highlighted changes. It was noted that there were relatively few changes and that this was done on a termly basis. The following were noted:

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• Risk 2 is critical and has previously been discussed. • Risk 3 relates to the property strategy. • Risk 4 is ongoing with the job evaluation process being undertaken. • Risk 5 – the College is looking at competing against other providers, and whilst there is an element of partnership, there is also competition within the market. • Risk 6 – under recruitment is a real challenge and there is a clear indication that in year variations will be made regarding allocations. • Risk 10 – there is now no BME gaps so this risk has been removed. It was acknowledged that the register has been a refinement this time rather than a review. • Risk 20 has been removed and covered within different discussions.		
11.09 <u>CONFIDENTIAL ITEMS</u> It was agreed that confidential items would be recorded separately.		

The meeting concluded at 7.20 p.m.

Maxine Bagshaw, Clerk to the Corporation

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