Date:	**1 July 2019**	Clerk to the Corporation
		Granville Road
Venue:	**The Boardroom, City Campus, the Sheffield College**	Sheffield, S2 2RL
		Tel: 0114 260 2620
		Email
		alison.shillito@sheffcol.ac.uk

Present: Ian Falconer, Chair
Gwyn Arnold
Chris Linacre
Michelle MacDonald.

In attendance   Rob Barnett, Head of Internal Audit, RSM
Clare Partridge, Financial Statements' Auditor, KPMG
Kate Platts, Executive Director of Finance and Resources (EDFR),
Alison Shillito, Clerk to the Corporation
Lisa Smith, Internal Audit Senior Manager, RSM

Action by by whom when

19/2/1   Welcome, Introduction and apologies

1.1   The Committee noted that apologies for absence had been received from Richard Calvert and Shelley Hemsley.

1.2   **Staff governor membership of the Committee**

Michelle MacDonald did not participate in the following discussion and decision.

i)   The Chair reminded the Committee that the membership of the Audit and Risk Assessment Committee had included a staff governor until a change in guidance in the Audit Code of Practice 2017/18. The Committee had always valued the input of the staff governor and the Committee had reluctantly adopted the ACOP guidance. The staff governor had agreed to continue as an observer.

ii)   The ACOP 2018/19 (item 13) no longer precluded staff governors being members of an audit committee. In the light of this change, the Clerk had confirmed with the Committee Chair and Chair of Governors that there would be no objection to the staff governor resuming her role as a full member of the Committee.

iii)   The Committee approved that the staff governor be re-appointed as a full member of the Committee with immediate effect.

19/2/2   Declarations of Interest

2.1   The Committee noted Michelle MacDonald's standing declaration as a member of staff. The meeting agreed no further

action was required on this declaration.

2.2   The standing declarations of Kate Platts and Clare Partridge, in attendance, were noted and in particular Kate Platts being a Trustee of the Sheffield UTC Academy Trust in relation to item 6. These were not deemed to have any bearing on the conduct of the meeting as neither Kate or Clare were eligible to vote should this be required.

19/2/3   Confidential Matters

3.1   Members agreed to consider the performance and remuneration of the Internal Audit service (agenda item 17) as a confidential item at the end of the meeting. The Financial Statements Auditor agreed to withdraw from the meeting prior to this item.

19/2/4   Minutes of the last meeting held on 25 February 2019

4.1   The Committee <u>approved</u> the minutes as a true record.

19/2/5   Matters Arising and Action Record

5.1   **Minute 19/1/11.4 refers: Internal Audit Progress Report – Compliance**

Members noted that the discussion about the development of a stronger compliance culture in the College had yet not resulted in an action. It had been an important discussion and members asked for an update at a future meeting, possibly from the newly appointed Director of Strategy, Planning and Systems Improvement (DSPSI), on how action was progressing to review, simplify and communicate policies.

DSPSI	27 Nov 2019

5.2   **Minute 18/4/6.4 – Compliance with consumer protection law and Competitions and Markets Authority (CMA) guidance to Higher Education providers**

The Clerk reported that the review had been received from Stone King LLP. There was one outstanding action – for the Clerk to complete the review and updating of the Terms and Conditions of enrolment for HE Students. The changes were to provide clarification and correct cross-references between different policies for the benefit of students and would be completed and communicated to students prior to the start of the new academic year.

Clerk	18 Sept 2019

5.3   **Minute 19/1/06 – Workshop actions: governor training**

Members noted that FEGP Committee had received a presentation on the College's different funding streams, including the rules on the Individualised Learner Record that had a significant impact on funding. The Committee agreed that this needed to be extended to all governors.

Clerk	18 Sept 2019

19/2/6   Strategic Risk Register Update

6.1   The Committee received the report on the updates made to the Strategic Risk Register. Some of the discussion of this item is recorded in a separate confidential minute.

6.4   The Committee noted that the previous internal audit service (Grant Thornton) had undertaken an advisory review of the

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governance of arrangements between the College and the Sheffield UTC in 2015. Since that review, there had been changes to the DfE regulations on academy governance and the structure and purpose of the Sheffield UTC. The Committee was assured that the risks were being managed and considered by Executive Leadership Team (ELT) via the risk register.

6.5 The Chair suggested that it might be useful at some point to review how the Governing Body assured itself that that the corporate responsibilities between the College and the Trust continue to be fulfilled and any risks arising understood and managed. Governors agreed to consider the priority and possible timing of a review in the context of the three year assurance plan later in the meeting.

6.6 The Committee discussed the extent to which the risk management framework and processes were embedded in the College's management processes. The record of this discussion is included in minute 19/2/8.2 to avoid duplication.

6.7 The Committee <u>noted</u> the report and thanked the EDFR for responding to member's feedback by adding the levels of assurance to the Strategic Risk Assurance Plan. Members welcomed the positive assurance that senior managers were identifying and managing the College's strategic risks.

19/2/7 Management Review of Internal Audit and External Audit Recommendations

7.1 The EDFR presented the report, commenting that there had been a delay to some actions arising from the IAR on Estates Management due to the Head of Estates leaving the College. The Committee <u>approved</u> the extension of two deadlines for recommendations in the Estates IAR to cover the recruitment and start of a new Head of Estates. Members received assurance that the risks identified in the Estates IAR were being managed in the interim, with the appointment of a temporary Head of Estates until a new permanent Head of Estates was in place.

7.2 The Committee <u>noted</u> the report and commented that it provided strong assurance to the Governing Body that the process for improving controls was working.

7.3 The Committee, <u>approved</u> removal of completed items and welcomed the additional detail on how recommendations had been completed. It was noted that some completion dates were at the end of July (to coincide with the end of the financial year). The Committee requested that in future, as far as possible, completion dates should align to Committee meeting dates and all actions should be completed prior to the year end.

EDFR   18 Sept 2019

19/2/8 Internal Audit Review Report: Learner Journey – School Engagement

8.1 The Internal Audit (IA) Senior Manager presented the findings of the report, which opined that the Committee could have reasonable assurance that the College had systems for planning and improving its engagement with schools to promote

the benefits of FE and future student recruitment. The Committee noted the good number of positive findings. The areas for improvement included ensuring that the Improvement Plan for the area was underpinned by local operating plans and that activities were systematically evaluated to assess impact and for continuous improvement.

8.2 The Committee noted the report and welcomed the assurance provided. It was further noted that the recommendations had already been incorporated into the Internal and External Audit Recommendations log. Three of the recommendations had already been implemented and hence were approved by the Committee as completed. The remaining recommendations would be tracked and reported via future reports on the Management Review of Internal and External Audit Recommendations.

19/2/9   Internal Audit Review Report: Risk Management

9.1 The Internal Audit (IA) Senior Manager presented the findings of the report, which opined that the Committee could have reasonable assurance that the College had systems for identifying and managing risk.

9.2 The Committee considered the report, welcoming the finding that the College had a well developed framework for risk management and that this was becoming embedded at Executive level. It was noted that there was more work to be done to ensure that the College was consciously and systematically discussing risks and their management at all levels.

9.3 The IA Manager commented that in her view the College was taking appropriate steps to embed its risk management strategy and, subject to maintaining its current momentum, would embed the framework at all levels.

9.4 The Committee noted the report and welcomed the assurance provided. It was further noted that the recommendations would be tracked and reported via future reports on the Management Review of Internal and External Audit Recommendations.

19/2/10   Internal Audit Review Report: Follow-up Audit

10.1 The Committee noted that the report had not been circulated as it was still in draft. The Committee deferred consideration of the report to the September meeting.   RSM   18 Sept 2019

19/2/11   Internal Audit Progress

11.1 The IA Manager presented the report commenting that the IA service expected to give a positive opinion to the Committee based on the work done thus far on the Audit Programme and Follow-up Audit. Work on the IAR of online provision (added at the last meeting) was due to start in week commencing 8 July and the report would be circulated to members as soon as it was finalized.   Clerk   ASAP

11.2 Members agreed that all governors might find it useful to receive the summary of findings of audit assignments (s.2 of the

Progress Report). The Clerk agreed to include a copy of this as part of the routine communications to governors once the Committee had received report.

	Clerk	18 Sept 2019 & ongoing

11.3 The Committee welcomed the progress made on the Internal Audit Plan 2018/19 and confirmed there were no additions or changes to the plan required.

19/2/12   External Reviews

12.1 The EDFR reported that the external reviews noted on the agenda and below had been conducted since the last meeting of the Committee. The College awaited the final reports. The EDFR said that there had been no significant issues notified in the oral feedback given at the end of each audit. The Committee agreed to defer the reports to the September meeting.

• European Social Fund (article 125) Audit	Dir P&F	Sept 19
• European Social Fund (article 127) Audit	Dir P&F	Sept 19
• Subcontracting Controls Report 2018/19	CD	Sept 19

19/2/13   Whistleblowing Policy and Annual Report 2018/19

13.1 The Clerk presented the report on the operation of the Whistleblowing Policy in 2018/19 and proposals for minor updates to the Policy for 2019/20, namely to highlight the sources of advice and support available to workers on making a protected disclosure.

13.2 The Committee noted the report, welcomed the positive assurance that there had been no cases reported in 18/19 and approved the proposed revision to the policy. Members also requested:

• assurance from the HR Department that the whistleblowing policy was covered in the staff induction process and	EDHR& OD	18 Sept 2019
• that the change to the policy be communicated to existing staff through the usual routes.	Clerk	18 Sept 2019

19/2/14   Review of the College's anti fraud measures 2018/19

14.1 The Committee received a report on a fraud incident and gave feedback on strengthening policies and procedures. Some of the discussion is recorded in a separate confidential minute.

14.5 The internal audit service manager commented that the anti-fraud internal controls needed to:

• include checks of *any* changes to contact details notified by subcontractors or suppliers;

• not rely on websites for conclusive proof of address or contact information, as these could be hacked and changed;

• consider more secure methods of verifying changes proportionate to the risk and transaction value – some clients went as far as to set-up pass codes to authenticate changes.

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• Include frequent running of exceptions reports for senior managers to look for patterns of requests for changes.		
14.6 The EDFR agreed to do a short 'lessons learned' report on the incident and submit it to both External Auditors and Internal Auditors to check that the College had addressed the main issues and its control regime was robust.	EDFR	July 2019

Anti-Fraud Policy

14.7 The EDFR presented the draft new policy to the Committee. It was noted that this had been drafted using the additional guidance in the Audit Code of Practice issued in March 2019, which was prior to the alleged fraud being reported.

14.8 The Committee welcomed the new policy, which provided more detail on the implementation of anti-fraud measures and response procedures than those included in the Financial Regulations. The Committee commented on the draft as follows:

i) **Staff training** - effective fraud prevention relied on high staff awareness of potential frauds. Therefore staff training was essential to the success of the policy. Staff needed to know about the policy, understand how it was relevant to them, how they could prevent fraud in their own area and report concerns.

ii) **Flexible and proportionate response** – fraud response needed to be flexible, proportionate and timely. It was commented that a fraud response team consisting of all members of the Executive might prove difficult to convene and be disproportionate for minor allegations. The College might consider delegating initial assessment to a smaller team. The EDFR said that the Executive Leadership Team was relatively small (7 members) and met weekly. The duty manager rota provided for one member of ELT to be on call to deal at all times with any urgent issues, take executive action as necessary and convene a quorum of ELT by phone or in person.

iii) **Reporting to Committee** – the policy should include the same lines of reporting and oversight as the Whistleblowing Policy i.e. including the Chair of Audit and Risk Assurance Committee at the earliest opportunity, with oversight by the Committee of implementation of recommendations and lessons learned.

14.9 The EDFR agreed to consider the comments in the next iteration and share the draft with internal auditors and external auditors for their comments.	EDFR	18 Sept 19
14.10 The Committee noted that there had been significant changes to senior personnel in the last two years. The new Executive had been going through a process of reviewing and overhauling policies and procedures, prioritising teaching and learning improvement. The Committee requested a full list of policy documents and their status to ensure that essential corporate controls were in place. It was noted that this was within the remit of the newly appointed Director of Strategy, Planning and Systems Improvement (DSPSI) and it would be valuable for him	DSPSI	27 Nov

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to review this early in his appointment and provide an update to the Committee.

19/2/15   Treasury Management Policy

15.1   The EDFR presented the report. Members were assured that an the College had an appropriate policy in place which was subject to monitoring by the Finance, Employment and General Purposes Committee.

19/2/16   Post 16 Audit Code of Practice (ACOP) 2018/19

16.1   Members noted the changes and asked the Clerk to update the Terms of Reference to reflect the responsibilities of audit committees in the revised ACOP.

Clerk/
GB   6   Sept
Chair   2019

19/2/17   External Audit Strategy for the year ending 31 July 2019

17.1   The Financial Statements' Auditor presented the draft strategy highlighting the following:

17.2   i)   materiality was proposed to be set towards the higher end of the risk spectrum

ii)   Key risk areas for the audit were

o   Pension risks - the '*McCloud'* court case and change to pension scheme rules would increase the risk of additional financial liability on employers and would need to be addressed in the financial statements.

o   Revenue recognition – to confirm that income is being recognised in the right periods for each income scheme.

o   Management over-ride of control – e.g. high risk journals; managing and classifying capital expense.

iii)   Loan covenants – the College was set to meet its covenants in 2018/19 but would need to take account of the Lennartz issue in 2019/20 to avoid a risk of a breach in future. This was already in hand with banks and auditors.

iv)   Regularity – as already discussed, auditors would be conducting the regularity tests required by the ESFA.

v)

17.3   The Committee welcomed the proposals and the continuity of the team and <u>recommended approval</u> to Governing Body of:

-    External Audit Strategy for the year ending 31 July 2019 and

-    The associated fees for the external audit, which were in line with those submitted during the tender in June 2018.

19/2/18   Any further assurance required for 2018/19

18.1   It was also noted that the Committee had received assurance across the Risk Assurance Plan for 2018/19 which addressed most of the high risks in the risk register. In addition, members had previously received assurances on Teaching and Learning Quality improvement via membership of TLQSE Committee (one member) and presentations to Governing Body (all

members). On this basis, the Committee agreed that it was satisfied that no further assurances required for 2018/19.

19/2/19   Internal Assurance Plan including Internal Audit Plan 2019/20

19.1   The Committee noted that the draft IA Plan presented to the Committee had yet to be considered by the Executive Leadership Team. The Chair commented that it was important that the Executive Team were satisfied that the Plan matched the assurance needs of the College and mapped against the longer term assurance plan.

19.2   To enable internal auditors to make progress, the Committee agreed the plan provisionally subject to:

- further consultation with the Executive Leadership Team

- any changes proposed to the focus and scope of the 'Governance Audit'

- updating to reflect the issues raised at the meeting around ensuring the College had a suitable framework of policies and procedures in place.

19.3   The Committee requested that an updated plan be brought back to the next meeting for consideration before recommending approval to Governing Body at its November meeting.   RSM   18 Sept 2019

19/2/20   Committee Self-assessment 2018/19

20.1   The Committee considered the outline and expressed provisional support for proposed positive opinions for the Annual Report. The Clerk agreed to work on the detailed report taking account of members' comments during the meeting about: Clerk   18 Sept 2019

- further consideration of the relatively low attendance and what steps could be taken to address this;

- Steps the Committee or Board could take to oversee that reflected the importance of embedding a culture of strong compliance with controls;

- the potential for controls to have been compromised by staff turnover in senior roles and how the College Executive is managing this risk.

19/2/21   Committee Terms of Reference

21.1   The Committee <u>approved</u> the revised terms of reference subject to further minor changes to reflect changes to the wording of the responsibilities of audit committees in the Post-16 Audit Code of Practice.   Clerk   6 Sept 2019

19/2/22   Committee Cycle of Business

22.1   The Committee approved the draft Cycle of Business, noting that

- some business included in the schedule for September 2019 had already been covered on the July agenda.

- some of the new and revised policies that would contribute

to the regularity assurance work requested by the
Committee were scheduled to be presented to the
Committee in September.

*Clare Partridge left the meeting and the Committee considered
a confidential item.*

19/2/23 **Assessment of performance of Internal Auditors and
approval of fees CONFIDENTIAL**

23.1 The discussion of this item is recorded in a separate confidential
minute.

19/2/24 **Review of Meeting and closing remarks**

24.1 Members considered that it had been a productive meeting in
which the Committee had welcomed the assurance received on
some of the risks in the Risk Assurance framework and probed
others further. Appropriately, a significant amount of committee
time had been spent on considering information about a fraud
incident, how the College had investigated the incident and how
it could learn lessons and be better prepared to prevent fraud in
future. The Committee also made recommendations about
publicising key policies to staff at induction and in other ways to
support a stronger culture of understanding and complying with
the College's policies.

19/2/25 **Date of next meeting for Audit and Risk Assurance
Committee**

25.1 Wednesday 18 September 2019 at 08:30 in the Boardroom,
City Campus