Date:	**18 September 2019**	Clerk to the Corporation
		Granville Road
Venue:	**The Boardroom, City Campus, the**	Sheffield, S2 2RL
	Sheffield College	Tel: 0114 260 2620
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		alison.shillito@sheffcol.ac.uk

Present:	Ian Falconer, Chair
	Richard Calvert
	Shelley Hemsley
	Michelle MacDonald
	Angela Foulkes, Chief Executive and Principal
In attendance	Mat Godber, Executive Office Manager (note taker)
	Richard Lee, Financial Statements' Auditor, KPMG
	Mark Pearson, Director of Strategy, Planning and Systems Improvement
	Kate Platts, Executive Director of Finance and Resources (EDFR)
	Alison Shillito, Clerk to the Corporation
	Paul Simpson, Executive Director of HR and Organisation Development (09.50 – 10.00 for agenda item 14 only)
	Lisa Smith, Internal Audit Senior Manager, RSM
	Seb Smith, Data Protection Officer (09.50 – 10.00 for agenda item 14 only)

	Action
	by by
	whom when

19/3/1		**Welcome, Introduction and apologies**
	1.1	The Committee <u>noted</u> that apologies for absence had been received from Chris Linacre and John Timms (governors) and Rob Barnett, Head of Internal Audit, RSM and Clare Partridge, Financial Statements' Auditor, KPMG.
	1.2	The Chair welcomed to the meeting:
		Angela Foulkes, who was attending in her capacity as Chief Executive and Principal, rather than as a governor.
		Mark Pearson, the college's new Director of Strategy, Planning and Systems Improvement, who would be reporting to future meetings on the development of the college's suite of policies, systems and procedures, amongst other things.
		Mat Godber, Executive Office Manager, who would be acting as note taker to support the Clerk.
	1.3	The Committee <u>noted</u> that the Terms of Reference had been circulated with the board papers and these had been updated as requested by the Committee at its last meeting. The Internal Audit Senior Manager confirmed that the Committee's duties now fully reflected the changes in the February 2019 update to the Post-16 Audit Code of Practice.

19/3/2   **Declarations of Interest**

The Committee noted the standing declaration of Michelle MacDonald as a college member of staff in the Employer Engagement Team. The Committee did not require any action on this declaration.

The standing declarations of Kate Platts, Angela Foulkes and other staff of the college in attendance were noted. No action was required for any items.

19/3/3   **Confidential Matters**

Members agreed that agenda item 19 (Assessment of performance of the Internal Auditors and approval of fees) would be taken as a confidential item at the end of the meeting. The Financial Statements Auditor agreed to withdraw from the meeting prior to this item.

Post meeting note:

The Clerk had not received any requests for a confidential meeting with internal auditors or the financial statements' auditors for this meeting. Members are reminded that this option is available by prior request to the Clerk or Chair.

19/3/4   **Minutes of the meeting held on 1 July 2019**

4.1   The Committee approved the confidential and unclassified minutes of the meeting held on 1 July 2019 as a true record.

19/3/5   **Matters Arising and Action Record**

5.1   **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 updating of the HE terms and conditions of enrolment had not yet been completed and was significantly overdue. The Committee noted that the delay was not exposing the College to additional risk as pending the update, any unclear terms would be interpreted in the student's favour, but required that this work be given higher priority and completed by the end of the month.

	Clerk	30/9/19

5.2   **Minute 19/2/07 – Management Review of Internal Audit and External Audit Recommendations**

The Executive Director of Finance and Resources (EDFR) reported that she was implementing the approach that IA action completion dates should align to committee meeting dates. The Committee agreed that this action was completed and could be removed from the tracker.

	Clerk	23/9/19

5.3   **Minutes 19/02/5.1 IA Progress Report - Compliance and 19/02/15 Control Policies**

The Committee noted that it would receiving an initial report on this from the new Director of Strategy Planning and Systems Improvement in November 2019. It was reassured that the college would take the opportunity to look at simplifying policies as well as ensuring that its policy framework was

comprehensive.

5.4 The Committee expressed satisfaction that the action record was complete and that it incorporated all matters arising from the July meeting. The Committee noted the report and approved the removal of the completed items and those agreed as completed above.

19/3/6   Strategic Risk update

6.1 The Committee received the report and had regard to the Committee's main responsibilities in relation to risk management:

    (i)   To gain assurance that the college's risk management arrangements are working;

    (ii)   Ensuring that the internal assurance plans are aligned to the college's individual strategic risks.

6.2 **Risk Policy**

The Committee noted that there were changes proposed to the policy to reflect the progress made in 2018/19 to create a more detailed risk assurance plan in 2018/19. The revised policy had been omitted from the board pack and therefore could not be approved at the meeting.

The Clerk agreed to circulate the revised risk policy separately and seek approval of the policy by correspondence,

    Clerk   23/9/19

Post meeting note: the Clerk circulated the Risk Policy to all ARA members by email on 2 October 2019 and it was confirmed as approved on 9 October 2019

6.3 **Strategic Risk Registe**r

The Committee noted that two new risks had been added to the Register:

i) the risk of college staff accepting or offering bribes or associated organisations offering bribes to secure business for the college; and

ii) being more specific about the risks of Brexit most relevant to the college's operations.

6.4 Members commented that the new risks and updates to existing risks demonstrated that senior managers were continuing to identify and manage the College's strategic risks. The Committee noted the report, agreeing that it did not prompt members to seek to commission any new assurance activities.

19/3/7   Management Review of Internal and External Audit recommendations

7.1 The EDFR presented the report on progress. Overall, most actions had been completed by the deadline and where this was not the case the EDFR had requested:

    -    an extension to the delivery date to December 2019 for three actions which had been delayed by staff turnover (Conditions Survey, now in progress; which was also required to develop a more detailed building asset register; and finance staff training in the Excelerator

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reporting tool, which was awaiting the arrival of new staff)

- closure of two actions that were proposed to be no longer appropriate for managing the risks identified. These were the closure of the commitment to develop additional KPIs for reporting to governors on the college's estates services; and the commitment to add a systems based workflow process for setting up New Suppliers.

7.2 Members challenged the proposal to close the action on providing KPIs for governor oversight of Estates functions, because it was important for governor KPIs to report on the efficiency of the estate – e.g. space utilization – and staff and student satisfaction with the quality of estates services.

7.3 The EDFR said that the Estates Department did collect and analyze data to monitor issues like fuel economy and cost; service desk enquiry management and space usage. The Executive Team reviewed this data as in business review meetings and business planning. FEGP Committee already received KPIs on average class sizes. FEGP and full Governing Body received reports on the development and implementation of the Estates Strategy, space utilization and the Accommodation Strategy. In addition, Teaching, Learning Quality and Student Experience Committee (TLQSE) received feedback on student surveys and other student voice activities.

7.4 Members agreed that it would not be useful to impose additional governor KPIs that were not seen as relevant to improving the college's quality or student experience. At a future point it might be useful to test the effectiveness of the college's processes for using the operational data collected by estates to improve quality; secure value for money and ensure the efficient and effective use of resources.

| | RSM/ EDFR | June 2020 |

7.5 The Committee received the report and agreed it provided strong assurance to governors that improvement processes were effective. The Committee approved the removal of completed items and that:

- the deadline for completing recommendation 94 (conditions survey) be extended to December 2019;

- the deadline for completing recommendation 101 (excelerator training) be extended to December 2019;

- the deadline for completing recommendation 127 (development of a component level asset register for buildings) be extended to December 2019;

- recommendation 99 (for the Estates Department to develop a meaningful set of KPIs for FEGP to monitor) be closed.

- recommendation 104 (development of a workflow for adding New Supplier records) be closed, as an alternative approach had been adopted to controlling the risks identified in the internal audit.

19/3/8   External Audit Strategy for the year ending 31 July 2019

8.1   The Financial Statements' Auditor gave a verbal update to members on progress of the External Audit. He reported that KPMG had invested in its client information to ensure it was specific about what documentation the client needed to provide and report on. For the college, this included, amongst other things, assessing the its pension liability in the light of the *McCloud* case and auditing covenant compliance going forward in 2019/20, which determined debt classification. The Financial Statements Auditors had not yet tested the full set of controls but the interim audit had not raised any matters of concern.

8.2   The EDFR said that the college had already secured a letter from Barclays Bank confirming a minor amendment to a loan covenant made in 2018/19 would continue in 2019/20. This made provision in the covenant wording for the monies held in reserve for payments to HMRC under the Lennartz scheme to be excluded from the calculation of covenant compliance. AIB was considering the college's request for the same minor amendment to the wording of one of its loan covenants and this was currently going through credit approval. Regarding the *McCloud* case, the college was liaising with the LGPS scheme and had already received a new valuation from its actuaries. The External Auditor would be challenging the new valuation to ensure it accurately represented the college's liabilities.

8.3   The Committee was assured that preparations were in place to meet the audit reporting deadlines and asked to be kept updated should any regularity issues be identified in the testing process.

19/3/9   Internal Assurance Plan 2019/20

9.1   The EDFR presented the updated plan which was a further iteration of the draft presented to the Committee in July. After that meeting, the Internal Audit service had refined the plan, in the light of feedback from the college Executive Leadership Team.

9.2   The Committee considered the plan as follows:

i)   members welcomed the engagement of senior managers in agreeing the plan but sought reassurance that the Internal Audit service would have a sufficient evidence base to reach an opinion at the end of the year. The Internal Audit Senior Manager said that RSM was comfortable that the programme was a suitable basis on which internal audit would be able to come to its annual opinion at the end of the year.

ii) five days per audit looked quite tight – the Internal Audit Senior Manager said that the time allowed would be tight for some reviews but it was viable given a tightly drawn scope.

iii) the revised plan did not include a comparison of the review topics in relation to the college's strategic risks i.e. the assurance mapping, which had been provided with the earlier draft. The Internal Audit Senior Manager said that

RSM had mapped the programme against the college's assurance map, it did map against five strategic risk areas. The programme also included cyclical coverage of control tests mapped against the Audit Code of Practice. RSM would include the mapping in its next IA progress report to the Committee.	RSM	27/11/19
iv) the highest risk on the Risk Register concerned staff engagement. Members asked how the programme addressed the college's People risks. The IA Senior Manager said that people and culture, and their impact on the processes and systems being reviewed, were factored into each assignment. IAR reports did include issues internal auditors had identified relating to people and culture. The Committee recommended that the people and culture dimension be made more explicit in the terms of reference/scope of the individual assignments.	RSM/ EDHROD	27/11/19

9.3 The Committee was satisfied the proposals addressed its principal assurance needs as flagged by the college's strategic risk register and approved the revised Internal Assurance Plan 2019/20

19/3/10   Internal Audit Review Reports

10.1 **Follow-up Audit**

The IA Senior Manager presented the report, explaining that the audit was done by sampling the recommendations made by internal audit in 2017/18 and testing the evidence for successful completion and implementation. The review found good progress on implementation of recommendations and that the reports being made on this to the Committee were accurate.

10.2 The Committee noted the report and welcomed its opinion of reasonable assurance on:

i)   the implementation of recommendations arising from internal audit and

ii)   the accuracy of the data in the management recommendations tracker that the Committee received.

10.3 **Internal Audit Progress Report 2018/19**

The Committee received the report noting that it was a progress report rather than the final annual report because one IAR on online provision was still to be finalized. The report also shared some useful briefings with the members and the Clerk agreed to circulate these to all governors.

Clerk	27/9/19

10.4 **Internal Audit Progress Report 2019/20**

The Committee noted the report and the good progress that Internal Audit was already making by commencing work on the health and safety review, which had been agreed at the July meeting.

19/3/11   Instance of fraud committed against the college 2018/19

11.1 The EDFR presented the report on the fraud incident, which had been considered by the Committee at its July meeting. As a

result of that discussion, the Committee had asked for a report on the process failure that permitted the fraud to occur and the improvements the college had made to prevent its reoccurrence and for this report to be shared with internal auditors and external auditors for feedback on the adequacy of the steps taken. The RSM Internal Audit Fraud Team had reviewed the report and advised that the report was comprehensive and did not recommend any further measures.

11.2   There was some discussion of the details of the fraud, as some members had not been party to the July discussion. Members were disappointed that the college had fallen victim to a common type of fraud and it was in connection with payments to its largest subcontractor. They wished to be reassured that lessons had been learned from the post-incident review and that stronger controls were being rigorously implemented.

11.3   The EDFR said that team had been very affected by mistake of not checking themselves with a reliable contact the request for a change to bank details. Finance staff now check any new or changed bank details for payments over £1000 via a phone call to the payee. The team have received anti-fraud training from Barclays and the staff are hyper vigilant.

11.4   The Committee noted the report and was reassured that appropriate controls improvements had been made.

19/3/12   Subcontracting Controls Report 2018/19

12.1   The Committee received the report, which was a highly technical report on compliance against the detailed ESFA rules for subcontracting. It was noted that some observations made in 2018 had re-occurred in 2019 and members asked if this should be a matter of concern.

12.2   The Financial Statements' Auditor commented that this was a compliance audit so would include an observation even if only one or two contracts did not fully comply with all applicable funding rules. The college maintained a significant number of subcontracting arrangements and the funding rules regulating these were onerous so there was a potential for some evidence to be unavailable. The IA Senior Manager commented that in her experience these were common observations on issues where colleges struggled to demonstrate 100% compliance for every contract.

12.3   The Committee noted the report, was reassured by the discussion which put the observations into clearer context, but requested that actions to address observations about non-compliance with the funding rules be added to the Management Recommendations tracker.

EDFR/ Commercial Director   27/11/19

19/3/13   Teachers' Pension Scheme Certification 2018/19

The Committee received the report and noted the assurance it provided about the accuracy of the data in the college's pensions returns.

19/3/14   External Reports

Members <u>noted</u> the following external review reports were awaited by the college

    i)   European Social Fund Audits under articles 125 and 127 undertaken prior to last meeting

    ii) European Social Fund Audits under article 125 in relation to apprenticeship funding

    iii) European Social Fund Audit in relation to MATCH funding.

19/3/15   Financial statements: draft regularity self-assessment questionnaire

15.1   The Clerk presented the report and the draft Self-assessment questionnaire. Members noted that the report had highlighted the link between the assurance provided by the information in the questionnaire and the issues of concern in letter to colleges sent by the Chief Executive of the ESFA in July 2019. The Chair informed members that the Chair of Governors had requested advice from the Committee about the implications of the ESFA's letter and the college's response to it. The Chief Executive and Principal said that she and/or the EDFR would be writing to all governors shortly setting out the college's position in relation to the recommendations in the ESFA letter.

                   EDFR/
                    CE/P

15.2   Members commented that it was a thorough piece of work that gave assurance on the issues raised in the ESFA's letter. They also welcomed the detailed commentary on the college's regularity and assurance arrangements in relation to the recommendations of the Bournville College investigation report.

15.3   The Committee <u>recommended approval</u> to Governing Body of the Regularity Self-assessment Questionnaire, subject to any updates needed to ensure that the report included any material adverse incidents arising prior to 27 November 2019 (date of signing).

19/3/16   Gifts/goods received by College staff and governors

16.1   The Committee received the report and briefly discussed the appropriateness of the £50 limit set for college staff giving and receiving hospitality and gifts. The IA Senior Manager commented that the limit varied but £50 was about average for colleges in her experience. Members were satisfied that this was appropriate to the business of the college.

16.2   The Committee <u>noted</u> the assurance proved by the report and <u>endorsed</u> the move to more systematic recording of gifts/hospitality given to others by college staff or governors, on behalf of the college (above £50). This change had been made for 2019/20 in the light of the Bournville College investigation recommendations.

19/3/17   Data Protection Officer's Annual Report 2018/19

17.1   The Chair welcomed Seb Smith, Data Protection Officer and Paul Simpson Executive Director of HR and Organisation

Development to the meeting to present the annual report, which was considered as follows:

- Members were surprised by the number of reports of security breaches made. The DPO said that many reports had been made at the beginning of the year as staff were trained in the new procedures and were getting to grips with what is a security breach. As the new processes have embedded and confidence had increased, the frequency of new reports had reduced.

- The college had impressive staff training completion rates and a member asked about the rationale for changing training providers. The DPO said that the original training provider had included good content but the platform had been cumbersome to administer.

- The improvement area for 2019/20 was to develop a network of Data Protection Champions and to tackle records retention – giving equivalent attention to securely deleting information as to other processing tasks. This was an efficiency issue as well as one of legal compliance.

- In response to a question, the DPO said that he was confident that staff understood the potential cost of getting data protection wrong, particularly staff who dealt with lots of personal data in their work. The EDHROD said that the DPO had been good at making data protection interesting to staff; he had used press stories and events to maintain staff awareness and the number of breach reports was a sign that staff were vigilant and engaged with GDPR.

17.2 The Committee noted the assurance provided by the report and asked the Clerk to give some thought to where action would be logged and tracked and report back to committee on how this would be done.

Clerk   27/11/19

19/3/18   Anti-Bribery Policy

The Committee welcomed the draft Policy and <u>recommended approval</u> to the Governing Body

19/3/19   Anti-Fraud Policy

19.1 The EDFR presented the latest iteration of the Anti-Fraud Policy which had been updated to reflect the Committee's discussions at the meeting on 1 July 2019. The Committee commented that it was still not clear at what point the Chair of ARA Committee would be informed of any potential fraud. The EDFR said that the Policy contained a level of materiality, smaller value frauds would be reported in a summary report to the Committee. ESFA rules use a £10,000 limit for reporting fraud to them but the Policy proposes a lower level of materiality for reporting to Chair of ARA Committee.

19.2 The Chair asked about the use of the Internal Audit service for special investigation and that this should not impinge on the agreed Internal Audit Assurance Plan. The EDFR said that this

was not the intention. Depending on the level of seriousness, internal audit would give feedback on the college's internal investigation as part of the normal management fee but a separate assignment would need to be commissioned from specialist fraud investigators for significant or complex fraud. The IA service had confirmed that it was comfortable with the approach.

19.3 The Committee recommended approval to the Governing Body of the Anti-Fraud Policy, subject to clarifying the level of materiality for informing the Chair of ARA and involving the Committee in deciding on how and when investigations are carried out in relation to investigations of fraud above the level of materiality set in the Policy.

19/3/20   Treasury Management Policy

20.1 The EDFR presented a report about the operation of the Treasury Management Policy. The purpose of the report was to inform the Committee that the level of cash balances held on reserve in 2018/19 had been in breach of the Treasury Management Policy approved by FEGP in October 2018.

20.2 The Committee noted the report and accepted the EDFR's reasons for the breach occurring. It was recognized that the Treasury Management Policy was work in progress and that FEGP would be reflecting on its first year of operation and considering changes to Policy limits at its meeting on 9 October 2019.

19/3/21   Modern Slavery and Human Trafficking Statement 2018/19

21.1 The Committee received the report noting that some of the improvement actions identified in 2017/18 had still to be completed. The EDFR said that this was due to staff turnover in the procurement function. The team was now fully staffed and was on schedule to complete the outstanding actions for December 2019. These actions would be incorporated into the statement for 2019/20, as the Statement reported on the previous financial year.

21.2 The Committee recommended approval to Governing Body of the Modern Slavery and Human Trafficking Statement 2018/19.

19/3/22   Draft Annual Report of the Audit & Risk Assurance Committee 2018/19

22.1 The Clerk presented the draft report and asked members to send their feedback and further comments to her in good time to incorporate into the report, which would be presented for approval at November meeting, which would overlap with the FEGP meeting. The Clerk agreed to liaise with the Chairs of the two committees and the Financial Statements' Auditors to agree the timing of their attendance.

ARA members   1/11/19

At this point Richard Lee left the meeting.

19/3/23   Assessment of performance of Internal Auditors and approval of fees

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23.1 The EDFR and IA Senior Manager made a verbal report to the meeting outlining the steps they had taken to ensure that both parties had a good clear understanding of the rules of engagement and the respective responsibilities for IA reviews.

23.2 The EDFR said that she was satisfied that she now had a single point of contact at RSM to resolve any queries about any assignments. The Assurance Plan agreed with RSM spread the load more evenly over the first six months of the year responding to the feedback from RSM about the impact of scheduling reviews too closely together.

23.3 The Committee welcomed the reassurance that teething issues around the embedding of new administrative arrangements discussed at the July meeting had been resolved and reiterated that they had not impacted on the quality of IA conclusions and assurances. They <u>recommended approval</u> to Governing Body of the IA fees for 2019/20 (61 days at a cost of £30,185 (excluding VAT), which were in accordance with the contract awarded in 2018/19.

    Clerk   6/11/19

19/3/24 **Review of Meeting and closing remarks**

Members thanked officers for their succinct presentation of reports. The Chair had run the meeting efficiently to complete the business within two hours and the reports considered had provided members with assurance to support them in finalising the Committee's opinions for the 2018/19 annual report. In particular, the discussions had reassured members that risk management continued to be embedded and that audit recommendations were being dealt with in a timely manner. The Committee looked forward to giving a positive annual report.

19/3/25 **Date of next meeting of Audit and Risk Assurance Committee**

Wednesday 27 November 2019 at 09:30 in the New Boardroom, City Campus