AUDIT & RISK ASSURANCE COMMITTEE

UNCONFIRMED MINUTES

Date:	**3 December 2018**	Clerk to the Corporation
		Granville Road
Venue:	**The Boardroom, City Campus, the**	Sheffield, S2 2RL
	Sheffield College at 09.10	Tel: 0114 260 2620
		Email
		alison.shillito@sheffcol.ac.uk

Present:	Ian Falconer, Chair
	Gwyn Arnold (until 10.30 am)
	Richard Calvert (until 10.00 am)
	Jane Jones
	Chris Linacre
	Michelle MacDonald Staff Governor
In attendance	Rob Barnett, Head of Internal Audit, RSM
	Lisa Smith, Internal Audit Senior Manager, RSM
	Clare Partridge, Financial Statements' Auditor, KPMG
	Richard Lee, Financial Statements' Auditor KPMG
	Kate Platts, Executive Director of Finance and Resources (EDF&R),
	Alison Shillito, Clerk to the Corporation

Action by by whom when

1. Welcomes and apologies for absence

The Chair welcomed Rob Barnett, the new Head of Internal Audit of RSM, to his first meeting of the Audit and Risk Assurance Committee.

No apologies were received from members of Audit and Risk Assurance Committee, the Committee was quorate.

2. Declarations of Interest

The Committee noted Michelle MacDonald's standing declaration as a member of staff. In line with the Post-16 Audit Code of Practice it was acknowledged that the staff governor would not be counted for quorum or voting purposes but would contribute to the discussion and achieving a consensus. The meeting agreed no further action was required on this declaration.

Other standing declarations were noted but were not deemed to have any bearing on the agenda for the meeting.

3. Minutes of the meeting on 21 September 2018

The Committee approved the minutes of the meeting held on 21 September 2018 as a true record, including the Confidential minutes.

4. Matters Arising and Action Record

4.1 Minute 18/2/5.3 refers: Business continuity and emergency planning

The Executive Director Finance and Resources (EDFR) reported that since the last meeting the following activities had taken or were scheduled:

- Executive Leadership Team members and key personnel had been briefed on their responsibilities under the plan

- A desk based exercise had been arranged for 18/12/2018 (organised with Zurich Municipal) to test staff understanding of the plan and their responsibilities.

- For Staff and students using the College sites were displaying 'Run, Hide, Tell' posters and the Head of Safeguarding had agreed communications to students via sessions run by the pastoral team.

- Periodic display of relevant 'be prepared' information messages via the College plasma screen. There would also be some information displayed on the plasma screens about the contact details of the Executive Team duty manager.

- The Major Incident Plan had been updated to reflect the changes.

- Each department had undertaken a business impact analysis and this would be further developed into a business continuity plan. The IT Department disaster recovery plan had already been tested and updated as part of the Internal Audit process.

4.2	The Committee thanked the EDFR for the update and agreed that the tracker action was closed.		
4.3	Minute 18/2/9.4 refers: Payroll, expenses and HR processes		
	The EDFR reported that electronic holiday booking was being piloted with teaching staff prior to being rolled out to all staff. The Committee invited the Executive Director of HR and Organisation Development to circulate an update and/or attend the next meeting.	EDHROD	Feb 2019
4.4	Minute 18/2/10.3 – development of a single contracts register		
	The EDFR reported that the original action, to ensure that all subcontracts were recorded in a signed contract had been completed, but an initial scoping of the variety of contracts indicated that bringing all the details together in a single register was a significant task. The Head of Finance had undertaken some work and identified that the Estates Department had a contracts database for its subcontracting as did the Procurement manager for central supply contracts. The Committee agreed that the EDFR should review the current situation and clarify what further action, if any, was required to manage the ongoing risk identified in the subcontracting report.	EDFR	Feb 2019
4.5	Minute 18/3/9.4 – subcontracting controls report		
	The EDFR reported that she had a useful discussion with Jane Jones about the risks arising with the introduction of apprentice standards. The Commercial Director had provided assurance that the College was monitoring the sector issues, managing the risks within its control and using its influence regarding issues outside its control.		
4.6	The Committee noted the updates and asked the Clerk to remove the completed actions from the tracker. The Committee agreed that it was in a position to assure the Governing Body that the College was making good progress on the actions it had recommended for managing risk and compliance.	Clerk	Dec 2018

5.   Update on Achievement Rates as key risk

5.1   The Deputy Chief Executive: Curriculum Quality and Assessment (DCE:CQA) introduced the report commenting that improving achievement rates was a strategic priority for the College and the internal assurance was being monitored via the Teaching, Learning, Quality and Student Experience (TLQSE) Committee. This paper had been considered by TLQSE Committee on 28 November and was being presented to Audit and Risk Assurance for members to consider the adequacy and effectiveness of assurance arrangements.

5.2   The Committee noted the decline in apprenticeship performance highlighted in the paper and that this was giving rise to risks in learning, reputation and sustainability. The DCE QCA reported that

   i)   The College's investment in new curriculum leadership roles, particularly new Heads of Apprenticeship was already having a positive impact on managing timely completion in 2018/19.

   ii)   Unfortunately previous withdrawals and slow completion for longer programmes in 2017/18 was included in 2018/19 data.

   iii) Some issues that stopped apprentices completing were outside the College's control, such as redundancies and closures; but for those issues within its control, the College had put in place additional internal controls

   iv)   additional Training and Assessment Facilitators and the new curriculum leaders for Apprenticeships and English & maths had increased the College's capacity to ensure apprentices had every opportunity to complete in a timely manner.

5.3   The EDFR said that to mitigate the risk of the financial implications of late or none completion, the College had modelled the impact of withdrawals and lower than ideal (timely) completion rates on the income received by the College and factored this into cash flow and other forecasts.

5.4   The Committee welcomed the assurance. It was noted that Ofsted was cited as the main source of external assurance for curriculum performance. The Committee asked if the College should strengthen its external assurance of achievement, e.g. mini 'Ofsted-type' reviews of particular areas. The DCE QCA said that the investment from the Strategic College Improvement Fund included some projects for external assurance and further internal assurance was generated via:

   • the business review process,

   • the KPIs reported to TLQSE Committee,

   • governors participating in engagement activities and

   • the work being done by new curriculum appointments to provide leadership, development and innovation for curriculum areas.

5.5   Senior managers had already seen the difference in more robust performance management in the latest business reviews. The data available to senior managers and governors was much clearer facilitating more effective monitoring and scrutiny of performance.

5.6   The Committee noted the report and welcomed the assurance on the measures being taken to manage the risks identified in the report. It was recommended that it would be useful to schedule a Governing Body discussion on the apprenticeship risks.

Richard Calvert left the meeting at 10.00 am

6. Compliance with consumer protection law and Competitions and Markets Authority (CMA) guidance to Higher Education providers

6.1 The Committee welcomed Robin Webber-Jones, Vice Principal Higher Education and Academic Studies (VPHEAS) to the meeting. It was noted that the matter had been referred by TLQSE Committee to ensure that the College secured appropriate external assurance of how the College was managing the risks of non-compliance with its OfS registration requirements.

6.2 The VPHEAS explained that the need for a review had been identified following confirmation of the College's registration but had been delayed awaiting the publication of the new QAA Quality Code for HE on 29 November 2018. The Code provided the basis for the plan to ensure compliance which including:

- briefing for key groups of staff about the requirements of the revised Code and upcoming changes.

- Updating the policies on amongst other things, HE admissions, key information for students, offer letters and checking the accuracy of marketing information.

- A briefing on complaints procedures with the Office of the Independent Adjudicator to ensure compliance with its expectations

- Peer review of by a partner FE College.

- External review of 'key information' and offer letter templates by Eversheds to ensure legal risks are managed.

6.3 It was commented that the Office for Students was in the process of commissioning auditors to provide independent assurance on the information provided by HEis at registration. To generate adequate assurance, the College would need to show that it had a clear action plan and timeline for the completing its compliance check. The action plan, including outcomes, deadlines and action owners, would also enable senior managers and TLQSE Committee to track the assurance.

6.4 The Committee noted that the Risk Register included an action to maintain QAA recognition. It was recommended that the risk be updated to include the risks of maintaining OfS registration. The Committee approved the proposals to commission the assurance required to meet the Office for Students requirements.

EDFR Dec 2018
VPHEAS Jan 2019

7. Strategic Risk Register and draft assurance map

7.1 The Chair reminded the Committee that it had two responsibilities for risk:

i) To provide assurance that the College's risk management processes are working and
ii) ii) ensure that assurance plans are aligned appropriately to strategic risks via the termly review of the Strategic Risk Register.

To highlight the most important current risks, the Committee had requested an assurance map composed of the 8 – 10 highest risks –

4

those rated as having the highest residual risks and those risks with the highest reliance on the controls. The EDFR presented the Assurance Map, which members considered as follow.

7.2 **Apprenticeship**s (Risk 50) – it was noted that this risk was not included in the map of key risks but was increasing as the College had been allocated less non-levy growth funding than requested, which would restrict the number of non-levy employer apprenticeships. The EDFR said that this posed risks to the College achieving the targets in its operating plan for 2018/19 budget as well as reputational risks should applicants and SME employers be dissatisfied. The EDFR said that the Commercial Director was ensuring that the risks were being managed, e.g. by managing costs within the funding available (also risk 3), exploring any scope for transfer of unused levy funds and lobbying to raise awareness of the negative impact.

7.3 Members were assured that the financial risks of apprenticeship growth had been considered and would be monitored by the FE&GP Committee. Governors asked that the reputational risks of non-levy apprenticeships being open to 19+ but not to 16 –18-year-old students be captured on the register and addressed in the plan. The Committee further noted that there were a number of different dimensions to apprenticeships being discussed by different committees. It would be useful for these to be considered holistically in a 'deep dive' review prior to being presented to Governing Body. It was suggested that SRG Committee should consider how to coordinate detailed review of a topic that spanned all the committees.

Commer-cial Director	Jan 2019
SRG Cttee	Feb 2019

7.4 **Teaching quality** - members noted that a number of the College's highest risks were around the curriculum, for which the main source of external assurance was Ofsted. It was noted that there were assurance activities in progress:

i) Ofsted had completed its monitoring visit and given a positive outcome.
ii) the FE Commissioner was visiting on 6/12/2018 to assess the College's progress on the recommendations arising from the pilot diagnostic assessment visit in November/December 2017.
iii) the TLQ&SE Committee would be monitoring Key Performance Indicators for Teaching and Learning Quality and the actions to bring about the required improvement, which would be internal assurance.
iv) The data assurance review had been brought forward with a view to reporting on the reliability of data in February 2019.

The Committee agreed to review what if any need and scope there might be for commissioning other external assurance at its next meeting when the College would have received assurance from the above activities.

A&RA Cttee	Feb 2019

7.5 **Cash flow** (risk 26) - in the context of the re-negotiated banking covenants, members asked if the EDFR was satisfied that cash flow was adequately represented amongst the College's highest risks. The EDFR said that the risk and mitigating actions were addressed in Risk 26, the requirements were aligned with the three-year plan and the Finance Department had a detailed cash flow forecast for the next 24

5

months to monitor performance. Members were assured that this risk was appropriately reflected and would be monitored by the FE&GP Committee.

7.6 **Governance failures at 3aaa** – in the context of serious allegations of director malpractice being reported in the sector, members asked how the Strategic Risk Register should reflect this risk. The EDFR responded that

- the leadership and management of the College was structured to guard against malpractice by directors, including four senior post holders and the Clerk, who were all in a position to raise issues directly with governors should there be any concerns about irregular practice.

- The allegations of fraud included manipulation of individualised learner records by directors. The Internal Audit plan for 2018/19 included a review of data assurance to look at the reliability and accuracy of the College's data. In addition, the College had been subject to independent funding audits, commissioned by the ESFA in Autumn 2016 and Autumn 2017 and there had been no significant issues of non-compliance identified.

- Whistleblowing Policy and procedures for all workers, including contractors, had been reviewed, updated and published. The changes included adding a link for reporting issues to Action Fraud to the guidance.

7.7 The Committee noted the updated risk register and approved the assurance map. The Committee thanked the EDFR for compiling the key Strategic Risks and sources of assurance into a mapping, this would guide the Committee's work plan and internal audit planning. The Committee agreed to revisit the Assurance Map in June 2019 in the context of planning the next two years' of the three year Internal Audit Plan.

      A&RA   June
      Cttee   2019

8. Management Review of Internal and External Audit Recommendations

8.1 The EDFR presented the report on the actions in progress to address the recommendations made by internal and external auditors commenting that progress on the actions was being reviewed by Executive Leadership Team on a monthly basis and new appointees were making progress on actions that had been delayed pending recruitment of new personnel. This had resulted in some long-standing actions being completed and others being reviewed in the light of the new strategic plan.

8.2 The Committee noted that the report proposed that recommendation 11 be closed as the development of a strategy, approval and monitoring processes and staff training for online learning provision was not being pursued at this time. This was because the current College strategy was prioritising quality improvement of classroom teaching. In addition, the limited availability of cash to invest in IT would be a limiting factor in the short to medium term.

8.3 Members accepted that development of a new IT Strategy was not an immediate priority but said it would need to be addressed within the

	overall strategy and three-year plan. The Committee asked the EDFR to review what the action should be, where it should sit and propose an alternative action and deadline that was consistent with the planning timescales of the relevant College Improvement Plan.	EDFR	Feb 2019
8.4	The Committee <u>noted</u> the report, welcoming the significant progress made on completing actions since the last meeting – with the number of outstanding actions reduced from 21 to 12. The Committee <u>approved</u> that the completed actions be removed and the recommendations arising from the External Audit be added to the log.	EDFR	Feb 2019

9. Internal Audit Review Progress Report

9.1 The Chair invited Rob Barnett and Lisa Smith of RSM to present their progress report to the Committee. The Internal Audit Manager commented that since the last meeting, Internal Audit had completed field work and draft reports on two reviews and had completed fieldwork on the HE review. In addition, the Data Assurance review had been brought forward, in response to the Committee's request, field work would commence before Christmas with a view to reporting to the Committee's next meeting.

9.2 The Committee <u>noted</u> the report, welcomed the progress made on the plan and the rescheduling of the data assurance review. It was noted that it was not appropriate to discuss work in progress but the Committee said that it would want to be made aware of any significant emerging issues from a review. It was also noted that there were some contingency days in the IA Plan, should the Committee wish to commission further assurance on any of the matters discussed in the meeting. The Committee <u>agreed</u> that it did not wish to adjust the current Internal Audit Plan at this time but would keep this under review.

10 External reviews

10.1 The Committee noted an oral report that there were no external reviews to report since its last meeting.

[Post meeting note, Clerk added a note reminding members that Ofsted had made its monitoring visit to the College on 10 October 2018. The Principal and Chief Executive had reported the findings to Governing Body. Ofsted's letter formally recording its judgements on the visit had subsequently been circulated to all governors. The letter had commented that the College was making reasonable, and for one aspect significant, progress on responding to the recommendations made by Ofsted at its visit in January 2018.]

11 Annual Report of the Audit and Risk Assurance Committee 2017/18

11.1 The Clerk presented the updated report, noting that the Committee had approved the draft opinions at its September meeting. The main changes to the final draft had been the addition of the approved self-assessment reports by FE&GP Committee and Planning & Performance Committee (approved by TLQ&SE Committee) and a new section summarising members' comments on key improvement actions (s.9.3 referred).

11.2	The Committee considered the report and suggested that it should include the Internal Audit Annual Report as a key piece of evidence to support the Committee's opinions. It was further agreed that the work on governance improvement in 2017/18 had been via the Task and Finish Group. A new update of the self-assessment against the Code of Good Governance was desirable for the 2018/19 self-assessment of governance by the SRG Committee but was not necessary for completion of the 2017/18 annual report. The Committee <u>approved</u> the report as presented, with the addition of the Internal Audit Annual Report, for submission to Governing Body at its meeting on 19 December 2018.	Clerk	Dec 2018

12 Committee effectiveness workshop

12.1	The Committee <u>noted</u> that the workshop would be facilitated by the Internal Audit Manager and had been scheduled for 23 January 2018 12.30 – 14.00 (prior to the Governing Body Strategy Event). The Chair would liaise with the Internal Audit Manager to agree the agenda and activities.	Chair and IA Manager	Jan 2019

13 Review of meeting and closing remarks

13.1 The Committee commented that the meeting had run to time and had dealt with the business expeditiously.

14 Date of next meeting for Audit and Risk Assurance Committee

25 February 2019 at 08.30 in the Boardroom, City Campus

Alison Shillito   12 December 2018
Clerk