

## Audit and Risk Assurance Committee

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**Date:** 25 September 2017

Clerk to the Corporation  
Head Office

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**Venue:** The Board Room, Sheffield City College

**Present:** Seb Schmoller - Chair  
Kathryn Atkin

**In attendance:** Bella Abrams, Chief Information Officer  
Rav Garcha, Financial Consultant  
Madeline Hawley, Manager, Grant Thornton  
Phillip Keown, Director, Grant Thornton  
Richard Lee, KPMG  
Kate Platts, Executive Director of Finance and Resources  
Alison Shillito, Clerk to the Corporation

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### Action

**17/3/1 Apologies for absence**

- 1.1 Apologies for absence were received from Ian Brown.
- 1.2 The Chair welcomed Kate Platts and Bella Abrams to the meeting.
- 1.3 Kathryn Atkin was delayed in arriving at the meeting. In Kathryn's absence the Chair discussed with auditors matters on the agenda. Kathryn Atkin arrived at 8.20 am at which point the meeting was quorate and the Committee proceeded to make decisions as recorded below.

**17/3/2 Declarations of Interest**

Kathryn Atkin declared an interest as a member of staff of the Sheffield College within the business development function which is mentioned in the Internal Audit Plan for 2017/18 (minute 17/3/8 refers).

**17/3/3 Minutes of the meeting held on 26 June 2017**

Once the meeting became quorate, the minutes were approved as an accurate record.

**17/3/4 Matters Arising:**

**4.1 Minute 17/2/5 refers - Accounting Policy Change - treatment of deferred capital grants**

The Committee noted that Neil Fletcher (the retiring Chair) had been satisfied with the additional information provided and Governing Body had approved the proposed change at its meeting on 17 July 2017.

**4.2 Minute 17/2/6.1 refers - Termly Review of Risk Management**

The Committee noted that the review of cladding materials used on College buildings had been completed, without the discovery of anything untoward. Information on the outcome had been provided to the DfE

survey and an update circulated to all staff at the end of July. The staff announcement had included reminders of standard fire prevention operating procedures that all staff need to observe to manage this health and safety risk.

**4.3 Minute 17/2/8.1 refers: Financial statements audit strategy - loan covenants**

The Executive Director of Finance and Resources (EDF&R) reported that she is discussing with Allied Irish Bank (AIB) a restatement of the terms of one of the covenants attached to a loan. This is because in discussions about covenant performance it had emerged that the AIB covenants had been intended to track covenants attached to pre-existing loans but one did not. A restatement would bring the covenants into line and the College would meet its covenants in 2016/17. Unless the AIB covenant is restated, it will not be met. If any covenant is not met then long term debt could become current debt. If this were to occur then the move on the balance sheet would change the College's 'current ratio' measure which would have a negative impact on its financial health score.

EDF&R

**4.4 Minute 17/2/8.6 refers: Financial statements audit strategy - provisions**

The Financial Consultant reported that he had prepared the additional data requested on options for calculating provisions for holiday pay and bad debt. The Executive Director of Finance and Resources is reviewing the provisions with the External Auditors.

**17/3/5 Risk Management Plan**

5.1 The Financial Consultant presented the report on work done in response to a request by the Committee to re-examine the College's approach to identifying, managing and reporting on the main risks facing the College.

5.2 The revised approach proposed was based on the following principles:

- Appetite - that the Corporation would agree statement(s) of the College's appetite for different levels of risk;
- Tolerance - readiness of College to bear the risk after mitigations have been used to manage it;
- Risk management framework - a system whereby risk owners would examine the risks; review the effectiveness of mitigations; adding, revising and removing risks as circumstances change or have been dealt with. The cycle of review would be part of the regular business of the Finance and Facilities Steering Group - chaired by the Executive Director of Finance and Resources - which would invite risk owners to attend to discuss their risks on a regular basis.

5.3 The Executive Director of Finance and Resources reported that, on a trial basis, Finance and Facilities Steering Group would undertake regular monitoring of the risks. There was a danger that this might result in risk management being seen as a Finance matter, whereas the risk management plan needed to be owned by and reflect the risks of the whole College. This will be kept under review. The EDF&R also commented that the proposal to have different levels of risk appetite applying to different types of risk may be overly complex and the College should develop a single statement of its risk appetite and tolerance, taking account of the fact that colleges ought, in principle, to be relatively risk-averse, given their role and mission.

- 5.4 Internal Auditors welcomed the proposals, in particular inclusion of reporting and tracking actions in response to Internal Audit Review recommendations into the framework. They welcomed that risk owners would be invited to the Finance and Facilities Steering Group to discuss the risks and associated Internal Audit recommendations. These changes would be a significant improvement on previous practice. External auditors commented that the next stage would be linking the risk to the sources of assurance and monitoring, in particular, risks that are in a state of rapid flux.
- 5.5 The Committee commented on the proposals as follows.
- The proposals represent a good start on creating a stronger framework with more robust monitoring.
  - The language and tone of the framework and the Corporation’s appetite for risk should reflect that the College is an exempt charity and that brings with it an expectation that trustees will be prudent in use of the charity’s assets.
  - In quantifying risks, the criteria should include reputational risks and risk to the success of the College’s current and future beneficiaries as well as financial risks.
  - The role of the College in the City means that there is an underlying responsibility to be a stable lynch-pin in the local community. The risk appetite and tolerance should be appropriate to a College which is relied on to serve a large number of community users.
  - The new framework should ensure that key risks are “tagged” with the relevant responsible Governing Body committee or member.

5.6 The Committee confirmed that it is satisfied with the outline for the further development of the framework to be led by the EDF&R. EDF&R

**17/3/6 Management Review of Internal Audit Recommendations**

As discussed earlier in the meeting, it was reported that the management review of progress on Internal Audit Review recommendations had been incorporated into the Risk Management Plan. Compiling this information and the Follow-up IAR had identified a number of actions that needed to be completed. The proposed new risk framework provides tools for those responsible for follow-up action to upload evidence and reports to make tracking more systematic in future. The ED F&R reported that she was working through all actions to ensure there is evidence of completion or they are no longer relevant before they are closed.

EDF&R

**17/3/7 Draft Internal Audit Annual Report 2016-17**

7.1 The Committee received the draft report, noting that this will be updated to reflect the outcome of fieldwork which was ongoing at the time of its preparation. It was noted that the report contributes to the College’s annual statement and regularity report. There are no significant issues being reported.

7.2 The report confirmed that additional work had been undertaken by Grant Thornton, as it had been commissioned to undertake investigations into allegations made in a whistleblowing disclosure. The additional work had been authorised and reported to Governing Body, via the Audit and Risk

Assurance Committee and there are no factors considered to have had an impact on Grant Thornton's independence as Internal Auditors to the College.

**17/3/8 2016-17 Follow-up arrangements**

- 8.1 This report links to the issues about follow-up of Internal Audit Review recommendations already discussed. The Internal Audit Manager reported that for this review Internal Audit had sampled 15 recommendations from reviews and identified a number that had been reported as closed but for which the auditors could not find systematic evidence that they had been completed.
- 8.2 The EDF&R reported that she is working through all the recommendations using the work done by the Financial Consultant and she would be liaising with Internal Audit to ensure that recommendations are closed appropriately. She would also work to ensure that future recommendations are specific and measurable with time frames and action owners to make actions clearer for owners and auditors.
- 8.3 It was confirmed that a report would be made to the Committee on progress after each Finance and Facilities Steering Group meeting. The report would include the updated register and status report on management recommendations.

**EDF&R**

**17/3/9 Capital Projects: Norton disposal process**

- 9.1 It was noted that this was an assurance review and it had been selected for inclusion in the programme because it was an unusual activity. The IA review had identified good practice in terms of use of external advice and keeping stakeholders informed. The Review had raised two medium recommendations -
  - (i) the reviewer could not obtain evidence of a tendering process for procuring the services of the property adviser used and
  - (ii) there was little financial information given directly to Governing Body in the course of the disposal, although the Committee noted that individual Governors had been kept reasonably well-informed about progress.
- 9.2 The Committee received the report and considered the recommendations as follows:

- i) Recommendation 1 - seems to be quite loosely worded. It is unlikely that the College would have such a significant development in future but it would be beneficial to embed appropriate control processes into managing significant projects. The EDF&R would review with Internal Audit how this could be drafted to ensure that the proposed action is specific, measurable, attainable, realistic and timely.
- ii) Recommendation 2 - the Committee considered that the IA may not have been able to locate documentation for the tender process due to staff changes between the disposal and the IAR. The Chair asked the EDF&R to work with her team to assemble the documents.
- iii) Recommendation 3 - greater transparency for Governors on financial information about costs and income would be shared with the Finance Committee.

**EDF&R**

**EDF&R**

**Clerk**

## 17/3/10 Internal Auditors' Plan for 2017/18 and Fees

10.1 The Internal Audit Manager introduced the plan as follows.

- The plan includes some items carried forward from last year that were due to be completed in 2016/17 but were delayed by staff absence and other work.
- Some reviews have been suggested by external events/changes such as IT Disaster Recovery and General Data Protection Regulation
- The plan also notes a list of possible reviews suggested as potentially useful in future but not included in this year's plan.

10.2 The Committee considered the report as follows:

- i) The Committee queried whether the plan is complementary to or duplicates the assurance work of External Audit. The External Audit Manager responded that the extent to which External Auditors are permitted to rely on IAR is limited by accounting standards but they would always look at the reports and they should be helpful to the College in developing an assurance map of its risks.
- ii) The Committee queried that the plan appeared to have no reviews with a curriculum focus, even though the quality of teaching, learning and assessment is one of the College's main risks. The Financial Consultant responded that the draft plan had included suggestions for reviews relevant to curriculum risks and colleagues had advised that there are already other consultants assessing and advising on the controls and assurances in place for the curriculum.
- iii) The Committee requested that the Risk Framework documentation be amended to reflect the role of external consultants as a source of assurance covering curriculum risks in the assurance map. There should be adequate reporting to Audit and Risk Assurance Committee of the outcomes of this assurance work, recognising that action on recommendations would be within the oversight of Planning and Performance Committee. EDF&R  
Clerk
- iv) The ED F&R will be looking across the annual and three year cycle of areas for IARs to ensure that there is reasonable coverage of the main risks. Based on the work so far, she recommended the plan as having reasonable coverage of the main risks of the College. EDF&R
- v) It was noted that a proposed review of a project for commissioning a new HR system had been replaced in the plan with a review of staff communications in the light of recent change management processes.

10.3 The Committee asked the Internal and External Auditors to withdraw from the meeting to discuss the proposed plan and fees. The discussion considered the following issues.

- i) The three year term of appointment of Grant Thornton expired in 2016/17. The most recent re-appointment had been based on a market testing exercise and the last full formal tender had been in 2010.
- ii) KPMG's audit plan and fees for external audit of the College's annual reports were approved on an annual basis and this had been done at the last meeting in June 2017. Audit of the 2016/17

reports would be the third year after the College had last undertaken market testing for External Audit services.

- iii) The Committee agreed that it should re-tender at the same time for Internal and External Audit services during 2017/18. The Committee agreed to recommend to Governing Body for approval that Grant Thornton's appointment as Internal Auditors be extended for one year to the end of 2017/18 and that there would be a re-tender for Internal Audit and External Audit services during 2017/18.

10.4 The overall balance of the proposed IAR work together with the fees was recommended for approval to Governing Body subject to an update clarifying the arrangements for rolling forward the review of Curriculum Planning, that had been included initially in the 2016/17 Internal Audit plan.

#### **17/3/11 Update on ESFA Funding Claims Audit**

11.1 The Chief Information Officer (CIO) provided an oral update to the Committee on a recent audit of the College's funding claims conducted by auditors working on behalf of the ESFA.

11.2 The College was selected for audit on the basis of random selection. The audit reviewed the Individual Learner Record (ILR) return prior to final submission to check that the correct amount of funding was being claimed for each learner in the sample. The main issue raised was the way the College had documented evidence of work experience for some students. As a result of this, there is a risk that some students may be reclassified into different funding bands with a small claw-back of funding. SRIS staff are still quantifying the number of records that might be affected by this. The audit highlighted that there may also need to be further changes to the way the College claims apprenticeship levy funds, which is a common issue across the sector.

11.3 The Committee asked how the College would ensure requirements are met in future for providing evidence for work experience. The CIO said that there is a work experience function in the College that maintains these records. The College had made improvements to this process part way through last year and the CIO is satisfied that the revised process meets the requirements.

#### **17/3/12 Committee's Draft Annual Report 2016/17**

12.1 The Financial Consultant introduced the report in which he had summarised what the Committee had done to satisfy its terms of reference and to maintain oversight of the main areas of risk facing the College. The report aimed to be streamlined and the Committee was asked to evaluate its performance and satisfy itself that providers have met the KPIs for their appointment.

12.2 The Committee discussed the performance of internal and external audit services in a private meeting and decided that it was satisfied that they had fulfilled the performance indicators set in their respective plans. As reported above, the Committee recommended the extension of the appointment of Grant Thornton to provide Internal Audit services for a further year.

12.3 The Committee asked Internal and External Auditors for comments on the assurance information that it would be most helpful to append to the Annual Report. The KPMG Manager advised that the annual review is a

process for Governing Body members to check the Corporation's compliance against the legal and financial regularity requirements; this then underpins the statement of assurance. In the appendices, it is useful to include the self-assessment against the AoC Code of Good Governance and the Audit Code of Practice Regularity questionnaire. In previous years, the report has also included annual reports from other Committees, a report on compliance with laws and regulations and information from the Internal Audit programme.

12.4 KPMG agreed to review the list of suggested appendices and offer some guidance on the most relevant information from regularity and compliance perspective to ensure the evidence base is relevant and proportionate.

12.5 The Committee noted the report and requested the following work to finalise the draft: **Clerk**

- i) Completion of appendices including Committee annual reports and other appendices on the advice of KPMG.
- ii) Highlighted sections be completed as and when relevant information is finalised.
- iii) The report to include a note about staff turnover in the role of Finance Director as this is pertinent information.
- iv) Before the report is finalised, a draft should be sent to the previous chair for his view.

### **17/3/13 Implementation of General Data Protection Regulation**

13.1 The CIO introduced the report on how the College is implementing the General Data Protection Regulation to ensure it is in full effect by 25 May 2017. The report was discussed as follows.

13.2 This new regulation covering all aspects of Data Protection is coming into force on 25 May 2018. It will replace the Data Protection Act. It will require a complete overhaul of the College's data protection policies, privacy statements and procedures for handling requests for data, reports of any loss or theft of data and how we share data with other organisations.

13.3 The CIO has drafted a plan to ensure the College completes this work and achieves full compliance. Every member of the Executive Team has some responsibility for aspects of compliance. As the College works with young people who attain rights over their data at age 16 under GDPR, there are additional complexities around consent.

13.4 The Committee considered the report as follows:

- i) Members asked how the proposed Internal Audit Review of GDPR preparation would add value to the preparation process. The Internal Audit Director responded that it would take a snap-shot of the extent to which the College's plan is appropriate, and that it would cover all the elements required by the Regulation and the College's progress against the plan.
- ii) It was noted that the plan included new functions that are currently not supported by the College. The CIO said that some additional specialist consultancy would be needed to develop new policies and procedures quickly. The College's records managers would also need to do extra work to ensure systems are secure as well as respond to the requirements of the Regulations.

- iii) The College is the data controller for a lot of ‘sensitive personal data’ about students’ health and welfare which is designated as ‘special’ under the GDPR, requiring greater control than other personal information. This exercise is also an opportunity to look at cyber security generally to ensure technical measures for protecting personal data are robust.
  - iv) The Committee stressed the importance of staff knowledge, behaviour and attitudes in ensuring that any compliance scheme is effective. The CIO said that the plan included proposals for general awareness raising for all staff and specific training for staff in roles with most responsibility for staff and student records. The Committee recommended that briefing activities should encourage all staff to consider how they as individual citizens would want their own personal data to be kept private and secure. This ought to help gain staff support for the changes to data handling that are imminent.
- 13.5 The Committee noted the report and asked the CIO to report on progress against the plan to the December 2017 joint meeting of Audit and Risk Assurance Committee and Finance, Employment and General Purposes Committee. **CIO**
- 17/3/14 Appointment of new committee members**
- 14.1 The Committee noted that a newly appointed governor has expressed interest in joining the Committee and search was proceeding for a new Chair of the Committee. It was suggested that the total number of members should increase and the quorum be increased to three. **Clerk**
- 14.2 The Committee agreed to recommend approval to Governing Body of the appointment of Gwyn Arnold to the Audit and Risk Assurance Committee. **Clerk**
- 17/3/15 Health and Safety Report**
- 15.1 It was noted that in June 2016 the Committee had requested that regular reports on Health and Safety matters be reported via the Committee. The Clerk reported that current arrangements are that the minutes of each term’s Health and Safety Committee meeting are presented for information to Governing Body and the Health and Safety Manager presents an annual report.
- 15.2 The Committee agreed that there should be an annual report presented to the Committee by the Health and Safety Manager and that the Committee should consider the possibility of brief termly reporting once new members have joined. **Clerk**
- 17/3/16 Review of meeting and Chair’s remarks**
- 16.1 The Chair invited members and officers in attendance to comment.
- i) The Committee requested that in future the meeting agenda should include an opportunity for the Committee to meet in private prior to Internal and External Auditors joining the meeting. Attendance at the private section of the agenda for anyone other than Committee members would be by invitation. **Clerk**
  - ii) The Financial Consultant said that on the basis of his experience of Audit Committees at other colleges in his opinion the Committee is focusing effectively on the right issues.



16.2 The Committee thanked the Financial Consultant for the contribution he had made to the College and to the Committee during his assignment.

**17/3/17 Schedule of meetings for 2017/18**

Monday 4 December 2017 at 8.00 am in the Boardroom, City Campus, Joint meeting with FEGP Committee

Monday 19 March 2018 at 8.00 am in the Boardroom, City Campus

Monday 4 June 2018 at 8.00 am in the Boardroom, City Campus