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**Date:** 11 July 2016

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

**Present:** Neil Fletcher - Chair  
Seb Schmoller  
Kim Streets

**In attendance:** Anik Arya - Grant Thornton  
Richard Lee - KPMG  
Jason Pepper- Executive Director, Finance & Resources  
Will Simpson - Grant Thornton  
Val Struggles - Clerk to the Corporation

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**Action**

**16/2/1 Apologies for absence**

Apologies for absence were received from Kathy Atkin.

**16/2/2 Declarations of Interest**

The Executive Director Finance and Resources declared an interest in agenda item 7iii) (as a Director of the University Technical College Academy Trust).

**16/2/3 Minutes of the meeting held on 29 February 2016**

The minutes were approved as an accurate record.

**16/2/4 Matters Arising**

- i) Minute 16/1/6: Annual report on compliance/Code of Good Governance

Members received updated versions of the following documents

- A summary of College policies and procedures which ensure its compliance with relevant legislation and the requirements of regulatory bodies.
- The status report, as at June 2016, of compliance with the Code of Good Governance.

The implications of non-compliance underpin some of the risks on the risk register (agenda item 6 refers) which is used to inform the internal audit review strategy. Members noted that there were no areas of concern in respect of the College's

compliance arrangements or the process by which Governors receive assurance, including through the work of the Committees.

The Committee agreed that the summary and Code should be reviewed again in 6 months and that a section be included summarising the relevant employment legislation.

Clerk

ii) Minute 16/1/11: Code of Good Governance

The Executive Director Finance and Resources reported that the Executive Team have reflected on the issue of how to provide Governors with assurances regarding the 'management and quality of data provision' and that this will be a thread through internal and external audit work. Also, as a consequence of merging two of the College's steering groups, data will be reviewed on a cross College basis.

The Chief Executive's report to the Governing Body meeting on 18 July 2016 will announce the intention to create a new Chief Information Officer post. In view of this the Chair suggested that this action point is revisited when an appointment is made.

16/2/5

**Termly Review of Risk Management Framework 2015/16 - Confidential report**

The report was marked confidential due to the commercial sensitivity of its content. Members were informed that since the last meeting the following changes have been made:-

i) The rationale for removing four risks and revising the status for three risks was provided. In relation the latter (R91; R27 and R15) the ratings have been reduced. No new risks have been added.

During discussion the following points were raised:

- i) An internal audit review of the College's approach to risk management was undertaken in May 2016 resulting in one low priority recommendation. The report will be considered under agenda item 7.
- ii) In total there are currently 58 'live' risks of which 10 have an inherent risk score of 12 or above.
- iii) The register will be reviewed prior to the next meeting and changes made to make it more streamlined and strategic.

ED F&R

The view was expressed that the register should include a 'holding risk' relating to the outcome of the EU referendum and that the rating and mitigating action should be refined when the impact is clarified and / or guidance is issued to the sector (e.g. by the AoC). With this change, the Committee confirmed it was assured that the Executive Team are appropriately identifying and managing the key risks.

### 1 Supporting learners with additional needs

The scope of the review focused both on how the College meets the needs students with additional needs whilst managing the costs and the effectiveness of its additional support funding programme.

Arising from the review there were 3 medium and 3 low priority recommendations. The overall assessment of the findings was rated as 'amber'. All the recommended actions had been agreed by managers. The Committee welcomed the report which will result in improvements to procedures and record keeping whilst acknowledging that this area of provision had been graded 'good' by Ofsted.

### 2 Risk Management

The scope of the review focused on how the College prioritises risks management activities, informs its assessment of risks and the process for allocating risks and reporting to this Committee.

The overall assessment of the findings had been rated 'green' and one area for improvement had been identified which had been accepted by management. This related to supplementing the risk register with the impact of actions taken to mitigate risks.

### 3 UTC Sponsorship and Governance of subsidiaries

The review took account of the discussion at the Governing Body meeting held on 25 January 2015 of the report presented by the Executive Director, Finance and Resources which focused on the College's group structure including the management and governance of the College's subsidiaries and the UTC Multi Academy Trust.

The scope of the IAR included a number of key risks, including

- the respective remits of the College, its subsidiaries and the MAT;

- the roles of Governors and Executive Directors;
- reporting and oversight arrangements;
- the clarity of documented procedures;
- the understanding and handling of conflicts of interest;

Arising from the review the overall assessment was rated 'amber', with 4 medium and 1 low priority recommendations and two areas for improvement. It was acknowledged that the format of management responses to the recommendations deviated from the norm by inviting Governors to indicate the action owner(s) and target completion dates. The Committee was informed that, in recognition of Governors' initial discussions, the IAR report had been circulated with the agenda for the Governing Body meeting on 18 July 2016 with an indication that this Committee's will consider the findings

in detail and report on the outcome through the minutes of the meeting.

Clerk/Chair

During discussion of the recommendations the following points were highlighted

i) Governance arrangements for the subsidiary companies

The different options relating to the appointment of company directors were considered including whether or not the position should be remunerated. The Committee decided to recommend to the Governing Body that -

- There should be a limit on the number of Company Director positions which can be held by individual Senior Postholders
- Additional Directors should be appointed from the College's senior management team, with consideration given to Heads of Learning (as 'customers' of the services provided by the subsidiaries)
- Each subsidiary should either have a Governor appointed as a Director or alternatively, a Governor should be invited to attend the meetings to provide an additional channel of communication to the Governing Body without the individual Governor taking on the legal responsibilities of a Director.
- Directors of the subsidiary companies will not be remunerated.
- There should be a transparent and open process whereby Directors of the subsidiary companies can report any potential conflicts of interest in the group structure without fear of recrimination.
- The Committee will review the subsidiary companies' governance arrangements every two years.

A&RA Cttee

ii) Subsidiary Directorships contingency arrangements

The Committee decided to recommend to the Governing Body that the terms and conditions of senior postholders and any other staff who hold (or might reasonably be expected to hold) directorships of a subsidiary company will be amended to require them to resign from their directorship when their contract of employment with the College terminates. They will also be required to register and declare any conflicts/potential conflicts of interest.

Clerk/ED  
HR & SRIS

iii) Governance of the UTC Multi Academy Trust

The Committee decided to recommend to the Governing Body that

- The individual acting as a member on behalf of the College should be defined.
- It was appropriate for the Clerk of the College

Clerk

Governing Body to be the Clerk of the MAT but was recognised that it was advantageous for the Local Governing Bodies of the two UTCs to have their own clerking arrangements.

iv) Reporting to the College Governing Body

It was acknowledged that information relating to the subsidiary companies which is currently reported to the Finance, Employment and General Purposes Committee via the College's Monthly Management Accounts, needs to be expanded. In relation to the UTCs it was anticipated that the Executive Principal will be responsible for the reporting arrangements between the individual UTC Principals and Chairs of Local Governing Bodies and the MAT which in turn will report to the College Governing Body. **ED F&R**

The Committee decided to recommend to the Governing Body that the Governing Body should be briefed on the reporting arrangements, taking account of the items which need to be included within the business schedules for the various Governing Bodies / MAT Board. The Executive Director Finance and Resources undertook to review his previous report to the Governing Body. **ED F&R**

v) Closure of a subsidiary company

The Committee decided to recommend to the Governing Body that the College's risk register will include risks associated with the closure of any subsidiary company and that this will be monitored both by the Finance, Employment and General Purposes Committee and this Committee. **ED F&R**

vi) Board meeting schedule

It was reported that a proposed schedule of meetings for the UTC MAT and the UTCs Local Governing Bodies, (which aligned with the College's agreed Governing Body meeting schedule) had been prepared by the Clerk for consideration by the MAT Board at its meeting in May. **Clerk / ED F&R**

vii) Dormant Sheffield Together Academy Trust

The Committee decided to recommend to the Governing Body that arrangements should be made for the dormant MAT to be wound up.

4 Cashflow forecast and Budget Modelling

The scope of the review focused on a number of risk areas to determine whether the two processes were appropriately integrated. The overall assessment of the findings had been rated 'green' and there were 2 low priority recommendations, all of which had been accepted by management.

5 Sales and Fees Ledger Processes

The scope of the review focused on policies, procedures and processes for invoicing and collecting fee income from third

parties.

The overall assessment of the findings had been rated 'green' with 1 medium and 3 low priority recommendations together with 2 areas for improvement, all of which had been accepted by management. A number of mechanisms are being implemented to ensure timely and accurate invoicing in recognition that this will be critical to improving the College's income diversity.

## 6 Progress Report

The Committee received the report and noted that fieldwork in relation to Financial Management Information and International Recruitment Reviews was completed and the reports will be presented to the next meeting. The scope for 3 Reviews plus the follow up work has yet to be approved. To date 69 of the 107.5 budgeted audit days had been delivered and the Committee noted that 30.5 days will be required to complete the planned work, resulting in a saving of 8 audit days.

At the request of management two IAR have been deferred to next year. In relation to the Capital Projects - Norton Disposal this will be rescheduled to follow completion of the sale which is now anticipated in September / October. The review of curriculum quality has been deferred in recognition that following the Ofsted visit in January, the Post Inspection Action Plan (PIAP) is being regularly monitored by the Governing Body and the Planning and Performance Committee, consequently Governors will need to clarify the scope of the review to ensure that its focus will add value.

### **16/2/7 Management Review of Implementation of Audit Recommendations**

The report summarised progress towards the implementation of internal and external audit recommendations since March 2015. The Committee noted that 27 of the 34 recommendations, i.e. 82% have been implemented. Of the remaining seven, 3 are overdue, 3 are ongoing and one has been removed. Three of the outstanding recommendations relate to the IAR on Finance Team Operations completed in February 2016 which are scheduled for completion over the summer.

### **16/2/8 Draft Internal Audit Needs Plan and proposed fees 2016/17**

Based on the College's risk management framework, 12 internal audit review areas plus the follow up review were proposed for 2016/17, amounting to a total of 90 audit days. The total fees proposed for 90 audit days were £48,798 (excluding VAT but including expenses. The fees approved for

2015/16 were £56,894 for 101 audit days.) The increase in rates was in line with CPI (0.3%) in May 2016 and also reflected the number of audit days, the involvement of more senior staff and any specialist expertise which may be required. The Executive Director Finance and Resources undertook to provide the Committee with an analysis of previous years' audit days/expenditure and to benchmark this with the sector.

ED F&R

The Committee was informed that in addition to the reviews included in the draft plan, a review will be added relating to the financial and curriculum planning process. It was anticipated that this could require several audit days and in order to accommodate it within the overall 90 days, the plan would be reviewed. One option could be to remove the IAR on Learner Number Systems as a consequence of the SFA's assurance review (Minute 16/2/11 refers) with the Committee placing reliance on the outcome of that review.

It was agreed that the scoping for the individual reviews would be undertaken in consultation with the Chairs of the Finance, Employment and General Purposes Committee and Planning and Performance Committee as appropriate.

The Committee agreed to recommend to the Governing Body for approval the overall balance of the proposed internal audit reviews (rather than the specifics which will be agreed at a later date) together with the proposed fees.

GT  
Clerk

**16/2/9 Financial Statements Audit Strategy for the year ended 31 July 2016 and proposed fees**

Following discussion with the Executive Director Finance and Resources the report outlined KPMG's plan for the audit of the 2015/16 financial statements and associated work, including areas of risk or focus, some of which are mandatory. The overall fee proposed was £33,745 (compared with £30,745 for 2014/15) which included audit work for the Teachers' Pension return, the 3 subsidiary companies and iXBRL. The proposed fees included work required in relation to the FRS 102 (the restatement and presentation of accounts in accordance with the new financial reporting standards) and consolidation of the UTC accounts. (In relation to the latter, no audit opinion will be provided given that the UTC's financial statements audit will be undertaken by its Financial Statements Auditors.)

The level of proposed materiality was £800k (i.e. 1.5% of total revenue based on 2014/15 audited accounts and greater than the turnover of Sparks Solutions Ltd) with errors in excess of £40k to be reported in the Highlights Memorandum submitted to the Committee on completion of the audit.

The Committee agreed to recommend the strategy together with the proposed fees to the Governing Body for approval.

Clerk

**16/2/10 Review of Meeting**

Members commented positively on the meeting.

**16/2/11 Any Other Business**

SFA assurance review of 2015/16 funding

The Committee was informed that notification was received from the SFA (8 July 2016) that the College had been selected for an assurance review of SFA and EFA funded provision in 2015/16. This is a condition of funding and similar assurance reviews have been undertaken previously. The SFA adopted a risk based approach, however the rationale for selecting the College had not been disclosed. Also the date of the visit had not yet been confirmed but this was expected to commence no later than early September 2016 and the process will be resource intensive. When available the outcome of the review will be reported to the Committee.

**16/2/12 Schedule of meetings for 2016/17**

Monday 26 September 2016 at 8.00 am in the Boardroom, City Campus

Monday 5 December 2016 (Joint with FEGP ) at 8.00 am in the Boardroom, City Campus

Monday 20 March 2017 at 8.00 am in the Boardroom, City Campus

Monday 26 June 2017 at 8.00 am in the Boardroom, City Campus