

Audit and Risk Assurance Committee Minutes

Date:	19 March 2018	Clerk to the Corporation
Venue:	The Board Room, Sheffield College	Granville Road
Present:	Ian Falconer - Chair	Sheffield, S2 2RL
	Gwyn Arnold	Tel: 0114 260 2620
	Ian Brown	Email
		alison.shillito@sheffcol.ac.uk
In attendance:	Madeline Hawley, Manager, Grant Thornton	
	Richard Lee, KPMG	
	Kate Platts, Executive Director of Finance and Resources	
	Alison Shillito, Clerk to the Corporation	

		Action by
		whom when
18/1/1	Apologies for absence and Chair's remarks	
1.1	Apologies for absence were received from Kathryn Atkin and Philip Keown.	
1.2	The meeting was quorate. The Chair remarked that it was his first meeting as Chair and he proposed some changes to the order of business on the agenda. It was agreed that the item on retendering audit services would be considered at the end of the meeting so that the College's current auditors could leave once they had withdrawn for that item.	
18/1/2	Declarations of Interest	
	The Chair declared that he remains on the board and Audit Committee of DN Group. There were no specific conflicts of interest identified arising from this association and therefore the Committee AGREED that there was no action required in respect of this declaration.	
18/1/3	Minutes of the meeting held on 25 September 2017 (carried forward from 4 December)	
	The minutes were <u>approved</u> as an accurate record.	
18/1/4	Minutes of the joint meeting with Finance Employment & General Purposes Committee held on 4 December 2017	
	The minutes, including a confidential minute, were <u>approved</u> as an accurate record.	
18/1/5	Minutes of the meeting of Audit and Risk Assurance Committee only held on 4 December 2017	
	The minutes were <u>approved</u> as an accurate record.	

18/1/6 Matters Arising and Action Tracker

Matters arising and actions not included elsewhere on the agenda were considered as follows.

- 6.1 **Action 17/1 (minute 17/3/4.3 refers) - Loan covenants** - the Committee noted that the College had provided a revised plan to ESFA, FE Commissioner and its banks. The revised plan had been accepted as realistic. This action was therefore completed. In preparing the revised plan, the Executive Director of Finance and Resources (EDF&R) had found that a different methodology had been used for calculating covenant compliance, as compared to previous annual statements. There was a difference in the results of the two methodologies. It was noted that the 2016/17 annual report and financial statement included a statement of material uncertainty in relation to the breach of covenants. The College's bankers, auditors and Governing Body were all aware that the College would breach the covenants so the different calculation had no material impact on the College's reported position but the College did need to understand the difference between the two methodologies and consider, with auditors, which approach to use in future.

The Committee **AGREED** that the College and its Financial Statements auditors ought to understand the different methods of calculation in order to guide reporting of 2017/18 accounts and that the EDF&R should discuss this with Richard Lee of KPMG.

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- 6.2 **Action 17/5 (minute 17/4/9.2 refers) - Norton disposal IAR** - the Committee noted that it was unlikely that the College would be doing any significant Estates redevelopment and therefore no further action was required on this recommendation. The College should re-tender for relevant professional services when and if required for buying/selling its capital assets.

- 6.3 **Action 17/6 (minute 17/4/6 refers) - Assurance Map** the Committee **AGREED** to carry this forward and group it with actions on the continued development of the Risk Management Plan as reported below, minute 18/1/7.3(vi) refers.

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- 6.4 **Action 17/8 (minute 17/3/13.5 refers) General Data Protection Regulation** - it was noted that this action was still open. There would be discussion relating to other items on the agenda (minute 18/1/8.8 refers) and the findings of an internal audit review were due to be reported to the June meeting.

- 6.5 **Action 17/10 (minute 17/3/16 refers) - Private meeting** - The action was **AGREED** as closed but members and auditors were reminded to contact the Chair or Clerk in advance of the meeting if they wished to request a private meeting of the Committee.

- 6.6 **Action 17/11 (minute 17/4/6 refers) - Regularity questionnaire** - the Committee noted that the outturn figure for settlements with former staff had been included in the published annual report and financial statements for 2016/17 and therefore the action was closed. The Committee noted that FE&GP Committee would be reviewing the scheme of delegation including levels of authority for approving settlements.
- 6.7 **Action 17/13 (minute 17/4/5 refers) -Procurement card IAR** - the EDF&R reported that all card holders were required to review and confirm in writing the accuracy of all purchases on each monthly statement. Members were reassured that internal controls had been strengthened in line with the recommendation and AGREED the action was closed.

18/1/7 Risk Management Plan update

- 7.1 The Executive Director of Finance and Resources presented the report explaining that she had conducted a workshop with the Executive Team which had reviewed:
- i) the Risk Management policy and confirmed that it remained current and reasonable;
 - ii) the process for reviewing and updating the risk register, mitigation plans and reporting to identify risk owners and how they would respond to and report changes; and
 - iii) the status of the risks on the current register. Managers had confirmed that the Register is fairly comprehensive but further work is needed map risks to strategic objectives and to track the movements of risk.
- 7.2 The workshop had recommended that the College should agree a single risk statement of appetite and tolerance. The general statement was likely to be in the range of risk averse to cautious. Managers had suggested that there might be some instances where the Corporation might be asked to tolerate a higher level of measured risk in order to support the College to achieve its objectives. The next steps would be to link individual risks to the five strategic objectives that the Acting Chief Executive has been developing in consultation with the Chair of Governors. Each senior strategic risk owner would re-validate the level of risk for their theme and the operational risks within that strategic theme. The EDF&R intended to present this iteration of the Register to the next meeting of the Committee.
- 7.3 Members discussed the update as follows:
- i) Members were mindful of the comments made in the FE Commissioner's Diagnostic Assessment that Governors may not fully understand the risks and scale of the challenge facing the College. It was recommended that Governing Body, as a full board, should periodically review how strategic risks are being managed and the Strategy Event in June 2018 might be a good opportunity to consider this in detail in the context of planning for the next three year plan.
 - ii) It was commented that it was more likely that risk management

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would be better embedded and understood where it is developed at the same time as the strategic objectives and performance framework for monitoring achievement of those objectives.

- iii) Members said they would wish to see the final draft of a risk appetite statement they would want the Committee to focus its scrutiny on the effectiveness of risk management and how much further effort should be brought to bear on higher or rising risks.
- iv) The Committee asked for confirmation about who would manage and administer the risk register. The EDF&R confirmed that in the initial implementation she and her personal assistant would be doing this with a view to delegating this at an appropriate time.
- v) The Committee confirmed that the scheduled timing of the internal audit review of risk management (April - May 2018 to report to the Committee's meeting in June 2018) remains appropriate. The EDF&R agreed to work with the Internal Audit manager to detail the scope of the review. EDF&R and MH April 2018
- vi) It was reiterated that including a column on the risk register for sources of assurances column would be helpful to the Committee in generating an overall assurance map. An assurance column would also highlight to risk owners that they are responsible for presenting assurances that they are managing and reducing risk. It is important that governance, assurance map and policy framework are proportionate and operate at a level that is effective within the College's current resource base. EDF&R April 2018

7.4 The Committee considered the strategic risks proposed in the report, which were the College failing to:

- improve quality of teaching and learning and student experience;
- ensure effective staff engagement;
- secure the College's financial position; .
- invest sufficiently in the College's infrastructure and teaching related assets so as to continue to attract students and employers;
- embed and maintain effective Governance.

Members said that they were assured that senior managers were focusing on right strategic risks. The improvement plan and revised three year financial plan recently presented to Governing Body had provided reassurance that the first four risks were being appropriately managed and monitored. Governing Body would be considering the report of the Governance Task and Finish Group, informed by the input of a National Leader of Governance on the final risk.

- 7.5 On the basis of the report and discussion, the Committee received the report noting the following:
- i) Members had received sufficient assurance that the Executive Leadership Team were in the process of putting in place a more effective process for managing risk.
 - ii) In finalising the draft Framework document, the wording should address explicitly the role of the Committee in risk management, i.e. to ensure that the policy and procedure for managing risk are effective. The next iteration of the Framework should be completed with regard to the comments made in the meeting and brought back to the Committee for review prior to approval by Governing Body.
 - iii) that the final iteration of the Risk Management Framework would be informed by the results of an internal audit review of risk management.

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18/1/8 Internal Audit Review - Business Continuity Policy and IT Disaster Recovery

- 8.1 The Internal Audit Manager presented report, which was Amber rated including three high risk recommendations. The review had found extensive documentation for IT recovery but it was not clear that these plans were effectively linked to the overall disaster response and business continuity plan. The high-risk recommendations related to putting in place College level coordination across the College's business continuity planning; undertaking regular testing of the plans and ensuring staff have sufficient training and information about what to do in an incident.
- 8.2 The EDF&R commented that management had already completed all but one of the actions that were due in February and March in response to the recommendations. The remaining high risk recommendation was risk assessment for business processes. The EDF&R had met with relevant colleagues to review the scenarios for the most important areas of risk. The result of this meeting was that there was further work to do on the IT risks that underpin many of the College's business processes - e.g. the order that systems would be restored to prioritise the most critical processes.
- 8.3 The Committee noted that the Chief Information Officer (CIO) would be on long term leave until January 2019 and asked how continuity would be ensured for this development work and work on the GDPR raised earlier. The EDF&R said the CIO's responsibilities would be covered by an interim member of staff whose strengths are in MIS and is already on an assignment with the College. The EDF&R is reviewing reporting lines for IT and systems teams and will discussing proposals with the Acting CEO this week.
- 8.4 Members acknowledged that ensuring effective communication with all staff is a challenge but expressed concern about the long end date on the recommendation to improve information to staff. It was commented that staff would appreciate the assurance that there is a plan and that they know what to do if they are caught up in an incident and where to obtain information. An auditor commented that one of her colleagues had been on site when the

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College closed during the day due to bad weather and emergency planning needed to include protocols for handling informing visitors and other external stakeholders about an incident.

8.5 The EDF&R commented that the longer date on the recommendation for communication and information for staff reflected the College's main recruitment and induction period for new staff and students. Work was already starting on planning for communication with existing staff so staff anywhere in the College know what to do in an emergency. By September this plan will have covered the whole College including induction briefing for new starters. It was suggested that attaching notes to payslips and action cards might be helpful to inform existing staff. The EDF&R said that the plan was to provide the messages in the most effective format for different groups - emails and pop-ups for staff who regularly use IT, face to face briefing and notices for facilities staff who have little opportunity to use IT at work.

8.6 The Committee noted that the internal audit plan for 2017/18 included a review of staff communication and suggested that this should include a review of the effectiveness of different channels. EDF&R and MH June 2018

8.7 The Committee noted the report, that it was amber rated and that business continuity and emergency planning are areas requiring active management and further improvement action. Members were assured that progress had been made and the College should be in a better position by the start of the new academic year. The Committee expressed concern about training and communication for staff and requested an update on progress on this. EDF&R June 2018

8.8 The Committee also expressed concern about the cover arrangements for the absence of the Chief Information Officer at a busy time for IT not just in terms of the actions required by this review but also other priorities for IT improvements and implementation of changes required by the General Data Protection Regulation (GDPR). The EDF&R said that the GDPR working group was continuing to work to its action plan led by the interim CIO. As reported below (minute 18/1/9.1 refers) field work for an Internal Audit Review of the College's readiness for GDPR had been completed and this report was due to be presented to the next meeting. MH May 2018

18/1/9 Internal Audit Reviews 2017/18 progress report

9/1 The Internal Audit Manager presented the report, which noted that there were two draft reports with College management at the moment and the field work on GDPR internal audit review had been completed. It was intended that the IAR reports on GDPR readiness and staff communication would be circulated to members as soon as they are completed in advance of the next meeting.

9.2 In response to a query about the longer term planning for internal audit, it noted that the next iteration of the three year rolling programme would normally come to the June meeting but as the College was re-tendering its audit services then this might have an impact on the longer term plan to take account of the advice of the preferred supplier. The Financial Statements Audit Manager commented that he would anticipate bringing a plan for External Audit to the June meeting and at that point would also report back on the outcome of his discussions with the EDF&R about the loan covenant calculations requested by the Committee (minute 18/1/6.1 refers).

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9.3 The Committee received the report and noted that it was reassured that progress to complete the Internal Audit annual plan was on target and would be delivered by the end of the year.

18/1/10 Internal and External Audit actions update

10.1 The EDF&R introduced the report, explaining that she had met with action owners and reviewed progress on all the actions going back to the last follow-up audit report in June 2017. As a result of this review, nine actions had been closed and 22 actions were ongoing, including seven from latest report and four that were overdue (one rated as high risk, two rated medium and one low risk). The EDF&R had set up a process whereby action owners receive monthly reminders (RAG rated) to update the action log and evidence base. It was planned this tracking would be delegated to an appropriate member of the Finance Team.

10.2 The Committee commented that in accepting a deadline against an IAR recommendation to address a high, medium or low risk, Governors were deciding to tolerate that risk for a set period. Proposals to extend the deadline meant that the risk would continue for a longer period than agreed and therefore such changes needed to be transparent and agreed by the Committee, on behalf of Governing Body. The Committee would be able to hold individual managers to account should deadlines be slipping and there would be a conscious decision about the extent to which the Corporation should continue to tolerate the risk.

10.3 It was noted that the end of year internal audit review of follow-up action is assurance for Governors that managers are effectively addressing the recommendations made by internal and external auditors. In the meantime, it was difficult for members to monitor progress without seeing the movement of actions on the schedule. The Committee AGREED that the next progress update should include the full schedule of open actions, including original deadline dates, so the Committee could monitor progress on completing actions and the extent to which the overdue actions continue to be appropriate.

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10.4 The Committee received the report on progress on Regularity and Internal Audit recommendations and reported to Governing Body as follows:

- i) Members welcomed that the work done by the EDF&R to review actions and implement a systematic process for

progress monitoring in future. There was some concern that the administration of the process was falling to the EDF&R and asked her to come back to Committee if resourcing is not adequate to generate assurance

- ii) The Committee approved the changes to deadlines requested in the report.

18/1/11 Summary of other assurance activities

The Clerk reported that since the last meeting of the Committee, the College had received external reports from the FE Commissioner's Office and Ofsted and these had been received and considered by Governing Body. The improvement actions in response to the recommendations in these reports were being approved and monitored by Governing Body and its Committees. The assurance map of external and internal activities being developed in parallel with the risk register would include a column for assurance as suggested. .

18/1/12 College's termly Health & Safety Report - Autumn term 2017

- 12.1 The Committee received the report noting an increase in the number of accidents including more sport injuries reported from Hillsborough. The Committee requested that in future the report should have a short cover summarising points for the Committee's attention, identifying control weaknesses and actions to address them.
- 12.2 Members noted that there had been a number of reports about lack of first aiders responding to calls for assistance. The EDF&R responded that the Health and Safety Committee had reviewed this and agreed a plan for increasing recruitment of first aiders. One call for volunteers had already been made and there would be a further recruitment round in the Summer term. The review of incidents had identified an issue with reception and other staff calling for first aid inappropriately e.g. when students report feeling unwell. The H&S team had agreed to provide further briefing for reception and other staff about the type of issues that are appropriate for first aid support and appropriate action for other types of incident.
- 12.3 There were also a number of reports about violence or aggressive behaviour towards staff and the Committee wanted to know how this was being addressed. The EDF&R responded that the College was using CCTV in areas where incidents of violence and aggression are more prevalent. The College is also training security staff to be more focused on customer care appropriate to students and deploying a rota of senior managers across all four sites in mornings to meet and greet staff and students in order to engender an adult professional culture from the point that students come into College. The meet and greet activities are in addition to other senior staff engagement activities that are intended to get out and about across the whole college, being more visible and setting expectations.

- 12.4 The Committee received the report noting that it included some positive assurance that the College's Health and Safety procedures for reporting and monitoring incidents is effective by identifying issues and engaging with staff, via the Health and Safety Committee in determining how management responds.
- 18/1/13 Any other business: report on a data breach**
- 13.1 The Clerk introduced the report, which had been brought to the Committee as it had been the College's first security breach report submitted to the Information Commissioner, on this occasion on a voluntary basis.
- 13.2 The Committee noted the report and recommended that the security breach procedure should include a summary report to the Committee on an annual basis unless there are grounds for making an exceptional report due to the scale or impact of the breach.
- 18/1/14 Any other business: - committee constitution**
- 14.1 The Committee AGREED to recommend for approval to Governing Body that the minimum number of members should increase to five and the quorum increase to three. The Clerk agreed to seek expressions of interest from current governors (who are not members of FE&GP Committee) in joining the Committee.
- Clerk April 2018
- Internal and External Auditors left the meeting - Committee discussed re-tender process in private
- 18/1/15 Tender for Internal and External Audit Services**
- Discussions under this item are recorded in a separate confidential minute.
- 18/1/16 Review of meeting and Chair's remarks**
- The Chair invited members and officers in attendance to comment. The Committee considered the assurances they had received and the activities that were in progress and **AGREED** that there were no additional assurance activities that should be commissioned as a result of the meeting.
- 18/1/17 Date of Next Meeting**
- Monday 4 June 2018 at 8.00 am in the Boardroom, City Campus
- Meeting closed at 10.15