
Date: 05 December 2016

Venue: The Board Room, Sheffield City College

Present: Audit and Risk Assurance Committee
Neil Fletcher - Chair
Kathy Atkin
Seb Schmoller
Kim Streets

Finance, Employment and General Purposes Committee
(for items 1 - 2)

Ian Brown
Paul Corcoran
Chris Linacre
Sally Neocosmos
Gil Vasey
Richard Wright

In attendance: Richard Lee - KPMG
Jason Pepper- Executive Director, Finance & Resources
Clare Partridge - KPMG
Alison Shillito- Clerk to the Corporation
Will Simpson - Grant Thornton
Heather Smith - College Principal

Action

16/4/1 Apologies for absence
No apologies for absence were received.

16/4/2 Declarations of Interest
There were no declarations of interest.

KPMG attended for the following items

**16/4/3 Financial Statements, Auditors' Management Letter and
Regularity Audit Self-Assessment Questionnaire**

3.1 Auditors' Management Letter

The report set out matters highlighted during the audit of the College's Financial Statements and the regularity audit work. During the presentation and discussion the following issues were

highlighted:

- i) The audit of the Financial Statements had been well planned and was substantially complete. Two adjustments had been made; one in respect of breach of a bank covenant (see iii) and the other for a payment to HMRC that was being disputed via tribunal.
- ii) The Auditor's Management Letter included a disclosure that the College's financial performance had breached a bank covenant in 2015/16, namely the gearing ratio of debt to turnover. Following discussion with the bank, the Auditor confirmed they were satisfied that the accounts would be signed off without qualification.
- iii) The Auditors confirmed that they were able to provide a true and fair view of the Financial Statements.
- iv) The corporate governance statement had been reviewed and the College was fully compliant with requirements.
- v) There was one recommendation arising from the financial statements audit, namely to ensure that evidence was available to demonstrate that reconciliations have been completed on a timely basis. The College has agreed to implement the recommendation.
- vi) The regularity audit had been undertaken in line with the revised process as set out in SFA guidelines and no issues had been identified.
- vii) The audit of the College's subsidiary companies was complete and the financial reports presented to the Committee, subject to final sign-off by company directors.
- viii) Overall, the College's financial performance during 2015/16 was 'satisfactory' and the College is aware of future challenges which Governors are addressing. The Auditors agreed that the Financial Statements had been prepared on the basis that the College will continue to be a going concern for the foreseeable future.

3.2 The Committee received the report and accepted the Auditors' opinion on the draft Financial Statements. This would inform the Committees' recommendation to the Governing Body at its meeting on 19 December 2016 and Audit and Risk Management Committee's Annual Report (minute 16/4/9 refers).

KPMG

3.3 Members' Report and Financial Statements for the year ended 31 July 2016

The draft consolidated income and expenditure account was presented in a format consistent with SFA requirements and the relevant financial accounting standards. During the presentation reference was made to the following:

- i) The narrative to the statements was largely complete, subject to final quality checks.

- ii) The year-end operating surplus was approx £800k.
- iii) Changes to accounting standards in the treatment of pension fund revaluation in financial reports had resulted in a significant actuarial loss being shown in the College accounts.
- iv) Members recognised that public sector pension fund liabilities were a sector-wide issue. FE colleges were relatively small employers in the context of the local government and teachers' pension schemes. Even so, the enactment of an insolvency regime for the FE and Skills sector might be perceived by pension fund trustees as making colleges with pension fund deficits a higher risk.
- v) It was noted that the insolvency regime was still under development by the Department for Education. Members recommended that Governors should lobby the Department for Education to press for safeguards so that pension liabilities could not trigger insolvency.

**Chairs and
Vice-Chairs**

- 3.4 Subject to final quality checks and KPMG's post balance sheet review, it was agreed to recommend the Financial Statements for the year ended 31 July 2016 to the Governing Body for approval at its meeting on 19 December 2016.
- 3.5 On behalf of Governors, the Chair thanked Auditors and expressed appreciation to the Executive Director and the Finance team.

Members of the Finance, Employment and General Purposes Committee left the meeting at this stage, except Paul Corcoran who was in attendance to report on matters arising.

16/4/4 Minutes of the Audit and Risk Assurance Committee meeting held on 26 September 2016

The minutes were approved as an accurate record.

16/4/5 Matters Arising

- i) Minute 16/3/7.3: IAR Report "Delivery of on-line provision" report on work in progress

The Committee received a report prepared by an external consultant with recommendations to the College on developing its IT strategy. The documents informing the report had included the IAR recommendations. The detailed work on a consolidated action plan was in preparation and the draft strategy and associated actions would be submitted to Planning and Performance Committee at a meeting in Spring 2017. The Internal Audit Follow-up report would consider the extent to which follow-up action had responded to the risks and recommendations identified in the IAR.

Paul Corcoran left the meeting at this point

16/4/6 Internal Audit Annual Report 2015/16

- 6.1 The draft report was considered at the last meeting (minute 16/3/12 refers). During the presentation the following issues were highlighted:
- i) In the period there had been 11 internal audit reviews raising 40 recommendations including two identified as high priority and 16 medium.
 - ii) The reviews with the higher priority recommendations were focused on areas that the College had identified for assurance and further improvement action. The findings for core areas relating to internal control of financial systems were rated 'green'.
 - iii) It was noted that reviews on disaster recovery and capital disposal were due to be carried forward into the 2016/17 plan. One planned audit was still being completed at the beginning of the 2016/17 cycle - capital projects benefits realisation.
 - iv) It was noted that Grant Thornton had not undertaken any additional work for the College in the period, however they do provide an audit service for the UTC.
- 6.2 The Committee received the report. On behalf of Governors, the Chair expressed appreciation to the Audit Manager and team for their report.

ED F&R

16/4/7 Internal Audit Reports - First Tranche 2016/17 Progress Update Report

- 7.1 The Committee received the report and noted that fieldwork was continuing from 2015/16 in relation to the Benefits Realisation Review Scoping of five reviews from the first and second tranches was at draft stage awaiting approval by the College. It was noted that there had been some delay in First Tranche to accommodate fieldwork for an additional review of examination practice.
- 7.2 Members considered the extent to which the 2016/17 internal audit programme achieved an appropriate balance between auditing internal controls and risk assurance activities. It was noted that the review programme included curriculum portfolio issues that were high priority for the College's future security such as growth of higher education partnerships; expansion of Advanced Learner Loans and preparation for implementation of the Apprenticeship Levy.
- 7.3 It was noted that Gender Pay Gap reporting regulations are expected to come into force requiring annual reports on pay by gender. The College's performance data is not routinely presented to Governors by gender or analysed by other protected characteristics. This might be a useful area to pursue via review such as preparing for gender pay gap reporting or the business benefits of equality, diversity and inclusion.

7.4 The Committee was satisfied that the programme remained appropriate and referred preparation for compliance with the new gender pay reporting regulations to Finance, Employment and General Purposes Committee to review in the first instance.

FEGP
Committee

16/4/8 Draft Report of the Skills Funding Agency Assurance Review

8.1 The Committee received the report, including a management letter, on the results of an audit of the College's Individual Learner Return (ILR) data quality and processes undertaken by PwC on behalf of the Skills Funding Agency (SFA). The following points were highlighted in discussion.

- i) the College had been selected for inclusion in the audit on a risk basis.
- ii) The total level of errors identified in the audit was quantified at around £38,500 in adjustments. This had no material impact on the College's financial position and represented a low error rate (0.54%) in the context of the overall funding.
- iii) the report indicated that the College's sub-contracting processes complied with the funding rules and no issues were reported.
- iv) The draft report is unqualified, as were the findings of two previous similar audits.

8.2 The Committee received the report and noted the low rate of error in the College's ILR data and management's response to the recommendations that had been made. It was agreed that this outcome was positive and would inform the Committee's overall opinion of the College's data quality and regulatory compliance in its annual report.

16/4/9 Annual Report to the Governing Body, Skills Funding Agency and Chief Executive 2015/16

9.1 At its September meeting the Committee considered the first draft of the Annual Report. The report had been compiled drawing on sources of evidence for how the Committee gained assurance and, as appropriate, references to the recent reports from the Internal and External Auditors.

9.2 The compliance statements within the Code of Good Governance (appended to the Annual Report) had been updated in June 2016 and had been circulated to all Governors to seek further comments. Members asked that Governors be given a further opportunity to comment prior to sign-off by the Governing Body.

Clerk

Arising from this review, issues were identified which required further consideration as follows:

- i) The Committee reflected on the findings of the January 2016 Ofsted inspection and agreed that the draft report be revised to clarify that the Ofsted findings were sources of evidence for the Committee

Chair/Vice-
Chair

forming its opinion. The Committee had sought positive assurance from the Planning and Performance Committee that the improvements required were being rigorously pursued. This had been provided in its Annual Report.

ii) Student voice - the Code of Good Governance included a number of expectations around ensuring that the student voice is heard through both college and student led processes. There was a risk that activities around the student voice might not be given sufficient weight in all the activity to improve teaching, learning and assessment. This should be something that governors should consider as part of their committee work and governor engagement activities for 2016/17.

Clerk
Jan 2017

iii) Equality and diversity - it was noted that some public bodies had explicit requirements for rating performance in assuring equality, diversity and inclusion attached to their funding. The Code provided a prompt to College managers and the Governing Body to set and achieve challenging objectives in relation to diversity in governance. The Single Equality Scheme report was due to be considered through committee stage to Governing Body in early 2017.

P&P
Committee
January
2017

iv) Assurance of data quality - the Committee was reassured by the findings of Internal Audit and SFA Audit that the quality of financial and student data was adequate. There were other aspects of College performance, such as equality and diversity, where data was not routinely presented with reports to governors. The Committee agreed that the draft report be revised to reflect this.

Chair/Vice
Chair

9.3 Subject to incorporating further changes to reflect discussion during the meeting, including the Committee's assessment of the performance of the Internal Auditors and Financial Statements Auditors, the Annual Report was approved for submission to the Chief Executive and the Governing Body.

Clerk

16/4/10 Health & Safety Annual Report for 2015/16

The Committee received the report and noted completion of the planned programme of health and safety audits. A number of these had raised queries about incomplete training records and risk assessments. The Committee requested confirmation of

- i) The data for incomplete training and risk assessment records to be presented as percentages so they could gauge the scale of compliance; and
- ii) An update on how the findings were being addressed.

H&S
Manager -
March 2017

16/4/11 Review of Meeting

Members commented that the papers had been delivered quite late and this had a detrimental impact on the effectiveness of the meeting. The Clerk agreed to address this with authors so as to deliver papers to members at least a week before the meeting.

16/4/12 Any Other Business

12.1 Commissioning of additional audit work - Confidential

The Committee was informed of additional work commissioned from Grant Thornton. Details of which are recorded in a separate confidential minute.

12.2 Performance of the audit service providers - confidential

The discussion is recorded in a separate confidential minute.

16/4/13 Date of Next meeting

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