
Date: 30 November 2015

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 - 5)

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

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

Action

15/4/1 Apologies for absence
No apologies for absence were received.

15/4/2 Declarations of Interest
There were no declarations of interest.

KPMG attended for the following items

15/4/3 Financial Statements Auditor's Audit Highlights Memorandum and 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 subject to finalising

the outstanding matters referred to in the report, including confirmation that the College had not breached its bank loan covenants and a final reconciliation of EFA/SFA funding. No issues of concern were anticipated and the Auditors confirmed that they were able to provide a true and fair view of the Financial Statements.

- ii) There was one audit adjustment of £51k relating to a creditor balance which was not considered to be material.
- iii) The corporate governance statement had been reviewed and the College was fully compliant with requirements.
- iv) There were 8 recommendations arising from the financial statements audit, (3 medium priority and 5 low priority) two of which were carried forward from the previous year. The College has agreed to implement all recommendations.
- v) The regularity audit had been undertaken in line with the revised process as set out in SFA guidelines and no issues had been identified.
- vi) Two areas of significant accounting judgement had been identified, relating to provision and pension assumptions, both of which were considered reasonable.
- vii) The audit of the College's subsidiary companies was complete with two adjusted audit difference, neither of which impact on the operating surplus.
- viii) Overall, the College's financial performance during 2014/15 was 'satisfactory' and the College is aware of future challenges which Governors are addressing. The Auditors agreed that the Financial Statements have been prepared on the basis that the College will continue to be a going concern for the foreseeable future.

Subject to any amendments required following confirmation received from the funding agencies, the Committee recommended the report to the Governing Body at its meeting on 14 December 2015.

KPMG

15/4/4

Members' Report and Financial Statements for the year ended 31 July 2015

The draft Financial Statements had been considered by the Finance, Employment and General Purposes Committee at its meeting on 9 November 2015. The draft consolidated income and expenditure account was presented in a format consistent with SFA requirements. During the presentation reference was made to the following:

- i) The narrative to the statements was largely complete, subject to final checking and editing. The figures relating to Learner Success Rates and Learner numbers will be updated

for the final version.

ii) The year end operating surplus was approx £300k after allowance for exceptional costs of £2.1m relating to the restructuring exercise.

iii) Performance in relation to the four key financial performance indicators stipulated by Governors in July 2011 was highlighted together with the reasons for non-achievement of any target.

iv) Members commented that the 'Principal Risks and Uncertainties' referred only to the funding environment and advised that reference should be included to the current Area Review process.

Members were invited to submit any further comments to the Executive Director Finance and Resources prior to 4 December. Subject to any further editing and KPMG's post balance sheet review, it was agreed to recommend the Financial Statements for the year ended 31 July 2015 to the Governing Body for approval at its meeting on 14 December 2015.

Members

On behalf of Governors the Chair expressed appreciation to the Executive Director and the Finance team.

15/4/5 Consolidation of the UTC's Financial Statements

Members were informed that recently the UTC Sheffield and UTC Olympic Legacy Park have been incorporated into a Multi Academy Trust. It is anticipated that the financial statements of the newly created Multi Academy Trust will be consolidated with those of the Sheffield College Group from the year ending 31 July 2016 on the basis that the MAT is wholly controlled by the Sheffield College.

The accounting technicalities of consolidating the accounts were outlined for members together with the advantages, which were considered to be in line with the College's overall strategy and would out-weigh the potential risks. The latter were deemed to be low due to the UTCs remaining separate legal entities from the College.

It was noted that the financial year end for UTCs was 31 August and that accounts are prepared in accordance with the SORP for Charities and the DfE's Academies Financial Handbook. It was clarified that the process of consolidating accounts would be relatively easy despite these differences subject to demonstrating the material difference for the month of August. Neither the SFA nor the DfE would permit changes to the financial year end for Colleges/UTCs.

During discussion of the accounting technicalities, wider governance related issues were raised. It was reported that a request for clarification of these was raised at the last Finance, Employment and General Purposes Committee meeting and that it would be appropriate for all Governors to be updated prior to any formal proposals being submitted for approval. The Chief Executive undertook to provide a report for the Governing Body meeting which clarified the structure and relationship between the College, its subsidiary companies, the UTC MAT, the respective responsibilities of Governors / Directors.

Chief Executive

The Financial Statements Auditor offered to comment on a position statement regarding accounting technicalities prepared by the Executive Directors, Finance and Resources, based on their earlier discussions.

**KPMG/ED
F&R**

Members of the Finance, Employment and General Purposes Committee left the meeting at this stage.

Grant Thornton attended for the following items

15/4/6 Minutes of the Audit and Risk Assurance Committee meeting held on 21 September 2015

The minutes were approved as an accurate record.

15/4/7 Matters Arising

There were no matters arising.

15/4/8 Internal Audit Annual Report 2014/15

The draft report was considered at the last meeting (minute 15/3/8 refers). During the presentation the following issues were highlighted:

- i) the six internal audit reviews focused on areas where assurance was required. Reasons for the amber rating in relation to four reviews were explained. Arising from these 30 recommendations four were prioritised as high; 15 medium and 11 low.
- ii) In view of changes to both the strategy and personnel since the IAR report was issued on the Growth Strategy the Executive Director Finance and Resources undertook to review the allocation of those actions which remain relevant and to seek the Committee's approval for those which are no longer appropriate.
- iii) Overall slightly less audit days had been utilised than originally planned due to rescheduling some IARs in the current year with the Committee's prior agreement. Consequently the overall cost of service was lower (by approx. £6k) although the percentage of qualified / specialist staff was higher (85% compared

ED F&R

with 80%).

- iv) It was noted that Grant Thornton have not undertaken any additional work for the College, however they do provide an audit service for the UTC.

15/4/9 Internal Audit Review (IAR) Reports - first tranche

1 Finance Team Operations

It was reported that the fieldwork was completed and that management comments were awaited in relation to the recommendations. The report will be presented to the next Committee meeting.

GT

2 Progress Report

The Committee received the report and noted that fieldwork in relation to the Commercial Costing Model IAR was complete and the report had been issued for management comments. All other fieldwork was scheduled according to the Plan previously agreed by the Committee. At this stage no changes were anticipated although members were reminded that the Plan was intended to be flexible to enable priority risks to be rescheduled or incorporated if necessary.

15/4/10 Management Review of Implementation of Audit Recommendations

1 Current status report

The Committee received management's report providing an update on progress to date on the implementation of the internal and external audit recommendations since September 2014. The Committee noted that of the 38 recommendations, 58% (22) have been implemented and of the remaining, none are overdue and 16 are ongoing. The latter related to IAR work undertaken since March 2015, with the majority arising from the IAR Growth Strategy which was discussed earlier (minute 15/4/8 refers). The report presented to the next meeting will incorporate the eight recommendations made by KMPG arising from the financial statements audit (minute 15/4/3 refers).

ED F&R

15/4/11 Termly Review of Risk Management Framework 2015/16 - Confidential report

The report was marked confidential due to the commercial sensitivity of its content. During the presentation and discussion the following points were raised:

- i) Since the last meeting no new risks had been added to the register. The risk rating for two - 'closure of Norton campus leads to a material decline in student

enrolments and associated income' and 'failure to achieve overall budgeted financial targets' - had been revised.

- ii) Members were assured that ongoing action is taken to mitigate all risks including those which are not amongst the twelve highest rated ones brought to Governors attention.
- iii) The presentation of the report will be reviewed with the aim of demonstrating more clearly the spread of risks. Each will be linked to the 'value chain' rather than the previous enabling strategies, to provide better alignment with the current strategic aims and objectives framework. Relevant risks will be reviewed, in terms of mitigating action, by the appropriate Steering Group as a standing agenda item. As a consequence this will engage a wider group of managers in the risk management process. The Committee welcomed this approach as one which will provide it with the necessary assurances that risks are being identified and managed.

15/4/12 Annual Report to the Governing Body, Skills Funding Agency and Chief Executive 2014/15

At its September meeting the Committee considered the first draft of the Annual Report, the format of which was consistent with the requirements of the Joint Audit Code of Practice. Subsequent to the last meeting the report had been revised to incorporate the Chair's comments on how the Committee has gained assurance and, as appropriate, references to the recent reports from the Internal and External Auditors.

The Chair thanked all Governors who contributed to the review of the compliance statements within the Code of Good Governance (appended to the Annual Report). Arising from this review, issues were identified which required further consideration, in particular how Governors benchmark quality and student achievement (section 4.6) and ensure that effective arrangements are in place for the management and quality assurance of data (section 6.11). Members were informed that the Chair has arranged a meeting with the Executive Directors for Finance & Resources and HR & SRIS to discuss this issue. It was agreed that compliance with the Code should be reviewed in 6 months at which time a summary will be provided highlighting aspects which Governors will be invited to comment on (i.e. where full compliance has not been achieved or significant changes have occurred).

**Clerk /
Chair**

**Clerk
June 2016**

Subject to incorporating any 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.

KPMG and Grant Thornton left the meeting at this point.

15/4/13 Additional Skills Funding Agency (SFA) Audit - Confidential

The Committee was informed of the letter received from the SFA. Details are recorded in a separate confidential minute.

15/4/14 Review of Meeting

Members commented positively on the meeting.

15/4/15 Any Other Business

1 Commissioning of additional audit work - Confidential

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

2 Performance of the audit service providers - confidential

The discussion is recorded in a separate confidential minute.

15/4/16 Date of Next meeting

Monday 29 February 2016, 8.00 am.