



**AUDIT AND RISK ASSURANCE COMMITTEE  
CONFIRMED MINUTES**

**Date:** 6 July 2022

**Venue:** New Boardroom City Campus

Clerk to the Corporation  
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**Present:** Ian Falconer (Chair)  
Matt Ainsworth, Governor  
Gwyn Arnold, Governor (by videoconference)  
Sol Miah, Governor (by videoconference)

**In attendance:** Rob Barnett, Internal Audit Manager, RSM  
Lisa Smith, Internal Audit Senior Manager, RSM  
Stuart McKay, External Audit Partner, MHA Macintyre Hudson LLP (by videoconference until 10.20, withdrew for item 14)  
Joseph Sale, External Audit Assistant Manager, Macintyre Hudson LLP (by videoconference until 10.20 withdrew for item 14)  
Angela Foulkes, Chief Executive and Principal (CEP)  
Martin Harrison, Executive Director Finance (EDF)  
Andrew Hartley, Executive Director Commercial and Operations (EDCO) (For items 4 and 10 only withdrew after minute 22/2/5)  
Mark Pearson, Executive Director Strategy and Systems Improvement  
Alison Shillito, Governance Advisor and Clerk to the Governing Body

**Action**  
**by**      **by**  
**whom**   **when**

**22/2/1 Welcome, introduction and apologies**

- 1.1 The committee received apologies for absence from Saleem Rashid and David MacDougall. The meeting was quorate.
- 1.2 The Chair welcomed to the meeting Stuart McKay, Financial Statements' Audit Partner and Joseph Sale, External Audit Assistant Manager.
- 1.3 The Chair reminded members to focus on the college's main risks, how the board was securing assurance and the role of governors in relation to the business.

**22/2/2 Declaration of interest**

- 2.1 There were no declarations by members in relation to the business.

### **22/2/3 Minutes of the meeting on 23 March 2022**

- 3.1 The committee confirmed the minutes of the meeting held on 23 March 2022.

### **22/2/4 Matters Arising & Action Record**

- 4.1 The Committee considered the matters arising that were not covered elsewhere on the agenda as follows.

#### **4.2 Minute 21/2/4.4 refers, Control environment for an outstanding college**

The Executive Director of Finance (EDF) introduced the report, a self-assessment against best practice of controls for college corporate purchase cards. The theme had been selected because it was an area with the potential for fraud or misuse and previous college processes were manual with duplication so there was the opportunity to achieve efficiencies. The review had resulted in better segregation of duties, reduced duplication and increased automated processing which had improved the effectiveness of controls and would save around half a day per month of staff time.

- 4.3 The committee welcomed the review and commented,

- The tight scope of the review enabled the review process and report to be detailed and action focused.
- The report was succinct and this was appropriate as the intent of the review was to generate process improvements not paperwork. The report format was commended as a good combination of self-assessment and assurance.
- Members appreciated that the report had quantified the likely savings generated by implementing the actions.
- Generating assurance through self-assessment meant that Internal Audit could focus on next line assurance or other strategic issues.

- 4.4 The committee received the report and agreed that the action should be closed for 2021-22. Encouraging the college to be ambitious to achieve a control environment for an outstanding college had been a theme in 2021-22. Members were aware of process improvement activity ongoing in other parts of the college and suggested that it might be beneficial to use a similar approach to identifying and reporting on the benefits accrued.

**ACTION** the committee asked the Executive Leadership Team (ELT) to consider for 2022-23 which other processes might benefit from a similar self-assessment approach and engagement with ARAC to provide a target or spotlight the benefits of process improvement.

ELT 12/10/22

#### **4.5 Minute 21/2/6.5 refers: Fire Risk Assessment**

Andrew Hartley, Executive Director Commercial and Operations (EDCO) introduced an update on the outcome of the recent Fire Risk Assessment completed in May 2022 and completion and

carry forward of actions raised in response to the recommendations in the May 2021 Fire Risk Assessment.

- 4.6 The committee considered the report and the main points in the discussion were as follows

**Number of actions**, members expressed disappointment that there were a high number of new and carried forward actions. The EDCO said that some of the actions were routine maintenance, such as wear and tear on fire doors, and some were due to user error, such as propping open fire doors or inappropriate storage of combustible materials. Each fault was recorded as a separate action. The number of actions had reduced compared to 2021 despite expanding the scope of the Assessment to include all college owned premises and nurseries. The committee acknowledged that, even with a planned approach to maintenance, there would be faults spotted in a detailed inspection and it was good to receive assurance that the Assessment covered a larger area with a reduced number of issues overall.

**Health and Safety culture**, the Chief Executive & Principal (CEP) said that the new Health and Safety Team were completing higher priority actions first, such as training, effective risk assessment and engagement. As reported to FEGP Committee, the college had made significant progress in 2021-22. Following ELT completing the IoSH Leading Health and Safety qualification, all members of Senior Leadership Team were in the process of completing the IoSH Managing Safely qualification. The college would best address the cultural issues by embedding training and leadership for effective Health & Safety management.

**ACTION:** consider a clearer way of presenting assurance to ARAC that the process for completing the actions in the FRA is timely and effective.

EDCO 12/10/22

- 4.7 The committee received the update. Members were reassured that, although there are operational issues in the latest FRA, these issues are being surfaced and dealt with. College managers were giving Health and Safety the priority it deserved. The committee supported the approach of addressing the actions raised in the Fire Risk Assessment and outstanding actions from previous Internal Audit Reviews thoroughly to support real progress and impact.

4.8 **Minute 22/1/4.5 refers: Reserves Policy**

In response to a question on progress on an action referred to Finance, Employment and General Purposes Committee (FEGP), the EDF reported that FEGP had considered a draft policy at its meeting on 22 June 2022. The committee had given feedback for further development. The EDF would be seeking advice from the Financial Statements' auditors, with a view to taking a revised draft to FEGP in September for approval.

**22/2/5 Other External Assurance: Subcontracting Controls 2021-22**

- 5.1 The EDCO reported that MHA MacIntyre Hudson LLP had completed the annual review of subcontracting and presented the

report. The review included one recommendation for management to consider extending more detailed financial health risk assessments and checks to subcontractors rated as “moderate risk”. College managers had agreed action to address this.

- 5.2 The committee considered the report and the main point discussed was the extent of assurance provided by the report. The External Audit Partner said that the scope of the review was tightly defined by ESFA. The review checked the college’s system of internal control against the ESFA subcontracting regulations and guidance. The findings and the single recommendation needed to be read in this context.
- 5.3 Members welcomed the good practice reported in the review and the assurance that managers were appropriately addressing the recommendation. The committee adopted the report on behalf of the Governing Body.

## **22/2/6 Strategic Risk Register 2021-22 update**

- 6.1 The Executive Director Strategy and Systems Improvement (EDSSI) introduced the report commenting that managers had reviewed the Strategic Risk Register and the result was
- there were no new strategic risks proposed,
  - two risks had been removed as they related to pandemic lockdown measures that seemed highly unlikely to be reinstated and
  - six risk scores had been amended to reflect changing circumstances.
- 6.2 The committee considered the report and the main issue discussed was what more could the college do, if anything, to manage the two strategic risks with high residual scores relating to pensions and borrowing. The CEP commented that the movement in these risks was externally driven and could change significantly if the Office for National Statistics reclassified FE colleges as public sector.

**ACTION:** The committee noted that should the ONS reclassify the sector then ARAC would need to review the impact on the Strategic Risk Register as although some risks would reduce others may increase, depending on the government’s response to the change.

EDSSI/ TBC  
EDF

### **6.3 Risk assurance summary**

The committee considered the summary, which had been revised and simplified in response to members’ feedback. The issues discussed were:

**format**, members were pleased to see the visual changes to the format, it made it clearer to governors although a summative RAG Rating in the final column might be useful.

**Cost of living crisis**, this was not identified as a new risk and members asked if it was reflected in the summary. The EDF said

that rising inflation was included in the (rising) risk of controlling costs and the pay issues were covered in the People risks.

**Impact on students of increasing costs?** The EDF said that this risk was considered in scoring the student recruitment risks in the full SRR because of the potential impact on people deciding to start or continue in further education. To address this, the college had reviewed the Learner Support Fund Policy 2022-23 and had

- increased the family income threshold so that more students would qualify for financial support,
- increased the daily meal allowance to ensure students could afford a nutritious meal in college and
- increased the total amount available.

The committee welcomed the action the college was taking to increase financial support for students from low income families.

**Environmental sustainability and green curriculum,** members asked how the risks arising for the new strategy and regulatory requirements were being addressed and if these should feature on the summary. The CEP said that now that the college was implementing a strategy the risks around achieving that strategy would have higher prominence in the full SRR in 2022-2023 and depending on the external context and the college's rate of progress may escalate to a "top ten" risk in 2023.

- 6.4 The committee received the report and commended the Risk Assurance Summary to other members of the Governing Body. The committee commented that there had been good work on risk management through the year and managers had provided strong assurance on the college's framework for managing risk.

## **22/2/7 Internal Audit and External Audit update: recommendations and management actions, progress report**

- 7.1 The EDF presented the report, commenting that further actions were on schedule to be completed by the end of July. The committee stressed the importance of completing as many of the other actions as possible by the end of the financial year.
- 7.2 The committee considered the report and the main issues discussed were:

**Health and Safety actions,** Of the actions remaining from the Health and Safety IAR, one medium priority action was on schedule for completion by the end of July and the low priority risk assessment action was being implemented with new a process and training for managers. The H&S team would be auditing implementation in the autumn term. The committee was reassured that the remaining actions were being addressed and approved an extension to the risk assessment action to January 2023 to allow for auditing of the effectiveness of the new process.

**"Xcelerator" reporting,** the EDF said that the action to train staff on the specialist reporting system attached to the finance system dated from 2019-20. The college's adoption of Microsoft Power

BI for cross college data analysis and reporting provided staff with a more modern, user-friendly and powerful reporting tool. The EDF asked for the action to be closed because the objective was being achieved by other means. The committee agreed to close the action.

**External Audit recommendations**, it was noted that work on the fixed asset register would be completed by the end of July 2022. The Component Accounting recommendation (rated low priority) was in progress. The work done so far had not generated sufficiently detailed data to achieve the objective. The Estates team had purchased data management software that identified the replacement cost and useful life for elements of each asset. This was being populated and had been thought would enable work to be completed by the end of the calendar year. However, the detail available would not be sufficient and a discussion with the external auditor was arranged to agree an approach. The committee approved the extension and recommended that the EDF and the external auditor consider what if any impact the delay would have on the audit of the 2021-22 financial statements.

- 7.3 The committee noted the report and approved the removal of completed actions and the revised date for completion of two actions, as requested in the report.

#### **22/2/8 ESFA Audit Code of Practice 2021-22**

- 8.1 The Clerk presented a summary of the main changes to the ESFA Audit Code of Practice (ACOP) for the current college year. The committee noted that the revised ACOP recommended that audit committees consider whether staff-governor members “meet good practice standards of independence and objectivity”. The committee agreed that members found the insight of an active staff governor member valuable and could manage the potential conflict of interest through existing processes.

**ACTION:** following staff governor elections, seek a nominee for Audit and Risk Assurance Committee

Clerk/  
Chair 31/7/22

- 8.2 The committee noted the updated ACOP.

#### **22/2/9 External Audit Strategy for the audit of the financial statements 1 August 2020 to 31 July 2021**

- 9.1 The Chair welcomed Stuart McKay, MHA Financial Statements’ Audit Partner, who introduced the strategy for external audit of the corporation financial statements for 2021-22.

- 9.2 The committee considered the report and noted the following.

**Independence** the firm’s ethics department had confirmed that there were no issues impinging on the independence of the audit. The additional tasks that MHA would conduct (certifying contributions to the Teachers’ Pension Scheme, Subcontracting review and computation of corporation tax) did not affect this.

**Risks**, the committee was satisfied that the risks identified in the strategy reflected relevant college risks and welcomed that the

audit would have regard to the findings of Internal Audit Service work to reduce duplication.

**Controls based approach;** governors must have the opportunity to challenge the accounting estimates. On the recommendation of the Ney Report, external auditors were expected to present their findings to all governors. The Chair said that the joint meeting of FEGP and ARAC in November included the Chair of Governors and most governors had membership of one of the committees. Other members were invited to attend for the external audit report.

**Materiality,** the committee agreed that they were comfortable with the parameters proposed in the Audit Strategy.

**Quality Assurance (QA),** the Audit Director confirmed that as well as the firm's own QA processes, it is also subject to oversight by the Financial Reporting Council and professional body registration requirements.

- 9.3 The committee approved the External Audit Strategy for the audit of the 2021-22 financial statements and welcomed that the strategy had been presented and the interim audit started before the year end. It was noted that the Governing Body had approved the outline fees at the same time as approving the appointment of MHA in March 2022. It was agreed that the EDF would have authority to approve the final invoices.

## **22/2/10 Internal Audit Plan and Internal Audit fees for 2022-23**

- 10.1 The Internal Audit Partner introduced the proposed Internal Audit Plan for 2022-23, which had been drafted based on the college's strategic risks, sector risks and the updated three year strategy to July 2025. The narrative included the rationale for why some risks had been included and others had not and also linked the risks to the college Strategic Risk Register, as requested by the committee previously. The review schedule was intended to ensure a balance of reporting across committee meetings. The three year plan showed the wholistic approach overall.
- 10.2 The committee considered the plan, and the main issues discussed were as follows.
- **Higher Level Learning Strategy,** the chair asked if the risks for college higher education should be included in this year's plan. The IA Partner said that it had been provisionally scheduled later in the three year plan to allow time for the outcomes of the Office for Students' consultations to be published and for the college to respond to the changes. The committee could use the contingency budget should this work need to be brought forward into 2022-23.
  - **Governance review,** there was no governance review in 2022-23. There would be a governance element in every review. The governance review had been scheduled in 2023-24 because colleges were not required to report on the recent changes to AoC Code of Good Governance until 2023-24 and further changes were likely.

- **Learner journey**, a member asked what aspects the IA would cover. The IA Senior Manager said that it would be qualitative review, benchmarking the college's processes for identifying students at risk of withdrawal/failure and the mechanisms to provide the right information and support at the right time to help such students make decisions about their choices for continuation, transfer and employment.
- 10.3 The committee approved the outline plan for 2022-23 and the associated fees. It was noted that the plan included contingency days to enable the committee to revise the plan flexibly in response to changes in the risk profile during the year.

### **22/2/11 Internal Audit: Progress Report 2021-22**

- 11.1 The Internal Audit Manager introduced the report on progress against the IA Plan for 2021-22, noting that there were four reviews close to being finalised, the IA Plan was on track to complete by the year end and they would not envisage the committee needing to commission any further assurance this year.
- 11.2 The committee noted the progress update and that there were no recommendations for changes to the 2021-22 plan. The Chair thanked Internal Auditors for the additional sector reports they had provided on emerging issues for Further Education. The Chair commended the documents to other governors and college managers.

### **22/2/12 Internal Audit Review: Business Planning**

- 12.1 The Internal Audit Senior Manager presented the report, commenting that the review had found the process used effective tools that linked business planning to student numbers and income. The meeting with business unit managers included effective challenge. The improvement points were, ensuring consistency in the information shared in different systems, that all managers understood how to use the business planning tools and that the process included prompts for addressing the sustainability and green agenda.
- 12.2 The committee received the report and welcomed the substantial assurance. The chair suggested that it might be useful for a governor to observe a business review meeting to help inform their understanding of how the college is meeting local needs. The CEP said that the ELT would consider this request. The closed nature of the meeting was beneficial for effective challenge and honesty. The timing and number of observations would need to be considered carefully so it did not have an inhibiting effect on openness in the meetings.

**ACTION:** respond to the request for governor observers in Business Planning meetings in 2022-23.

CEP/  
ELT 12/10/22



### **22/2/13 Data Protection Officer's annual report 2021-22**

- 13.1 The EDSSI presented the annual report including the review and revision of the Data Protection Policy. Since the report had been circulated, ELT had reviewed the draft policy and had agreed that it should include explicitly that the policy also applied to the college's subsidiary companies.
- 13.2 The committee received the report and welcomed that the assurance that the new Data Protection Officer (DPO) had undertaken a thorough policy review and had made systems improvements to automate and streamline compliance processes. It was also assurance that the ELT was ensuring that the rolling programme of periodic policy reviews was being maintained.

### **22/2/14 Fraud and corruption annual report 2021-22**

- 14.1 The committee received the report noting that the college was maintaining the fraud log, which included several "phishing" attempts that had been caught and reported to Action Fraud. Members noted positive assurance that the college's procedures for and staff training on fraud, bribery and cyber security were adequate and effective.

### **22/2/15 Whistleblowing Policy review and annual report 2021-22**

- 15.1 The Clerk introducing the annual report, which included one disclosure received and previously reported to the committee. This had been managed according to the procedure, with updates provided to the person who had made the disclosure, the chair of ARAC and external auditor.
- 15.2 The committee received the report, members were assured that the college's arrangements for receiving and investigating protected disclosures from workers were adequate and effective and that the current policy should continue, without changes, for 2022-23.

### **22/2/16 Internal Assurance reports: Gifts and hospitality annual report 2021-22**

- 16.1 The committee received the report, noting the return for 2021-22 to date.

[**Post meeting note**, the CEP had previously notified college funded hospitality at the National Centre for Leadership in Diversity FREDIE awards that were not included in the report.

Clerk 31/7/22

**ACTION:** The Clerk agreed to update the log and re-circulate it to members and external auditors at the year-end.]

### **22/2/17 Committee Self-Assessment 2021-22**

- 17.1 The Clerk presented the draft self-assessment of the committee's effectiveness for members to consider and agree their opinions on the adequacy and effectiveness of ARAC's work over the

year. Based on the assurance received during 2021-22, the committee agreed

**Terms of Reference**, the current terms of reference covered the committee's role and continued to meet the expectations of regulators. The committee agreed to recommend to Governing Body that they should continue to apply for 2022-23

**Membership** the level of attendance by continuing members had been excellent but some members had not been able to attend and expectations may not have been effectively communicated.

**ACTION:** the allocation of members to ARAC needs to be agreed and communicated so that the committee can achieve the level of attendance to ensure its effectiveness and expected in the standing orders.

Chair/  
Clerk 31/7/22

**Committee information**, members agreed that report authors had met the committee's needs for timely and accurate information.

**Control processes**, the committee had received more substantial assurances this year This and progress on internal self-assessment processes indicated that the control environment was improving and had the capacity to continue to enhance through internally driven quality assurance. The committee agreed that it did not need to commission further work this year.

Workplan for 2022-23, the proposed workplan was approved and it was suggested that the committee's improvement priorities should include

- **Progress** on a workplan for second level internal reviews. There was a significant volume of internal assurance already available and ARAC being able to access this without generating undue paperwork could significantly enhance assurance and encourage further quality improvement.
- **Progress** on embedding the Risk Assurance Summary as a key tool for Governing Body to vary the intensity of scrutiny for different parts of it remit based on risk.
- **Sustainability and green curriculum**, translating the new college strategy into action with milestones and timescales should be embedded in the targets for all the standing committees.
- **Achieving an outstanding control environment**, the committee had made some progress this year and members were still keen that aspiring to create an outstanding control environment would generate benefits for staff and students. This was not just about financial controls and there was still work to do by other support areas to understand what outstanding would look like for them. The committee wanted to continue to champion this aspiration.

## **22/2/18 Review of performance of Internal Auditors**

- 18.1 The committee considered the feedback from the Internal Audit Service and college senior managers on the progress of the IA Plan for 2021-22. The feedback on the IA satisfaction questionnaire was positive and evidenced an open, honest and constructive dialogue. The committee noted the verbal update and as there were still some review reports to be finalised, it was agreed to discuss the annual review further at the next meeting in the context of the annual report.

## **22/2/19 Review of meeting and closing remarks**

- 19.1 Members reviewed the meeting and thanked the EDF, EDSSI and Clerk for their support over 2021-22.

## **22/2/20 Date and time of next meetings**

Members noted that the following dates were proposed in the governance calendar for 2022-23:

Wednesday 12 October 2022 08.30 – 10.30

Wednesday 23 November 2022 09.30 – 11.00 (joint with FEGP)

Wednesday 22 March 2023 08.30 – 10.30

Wednesday 5 July 2023 08.30 – 10.30