



**AUDIT AND RISK ASSURANCE COMMITTEE
CONFIRMED MINUTES**

Date: 20 October 2021

Venue: New Boardroom City Campus

Clerk to the Corporation
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Sheffield, S2 2RL
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Present: Ian Falconer (Chair)
Matt Ainsworth, Co-opted member
Sol Miah, College Governor

In attendance: Rob Barnett, Internal Audit Partner, RSM
James Boyle, Director Public Sector Audit KPMG
Angela Foulkes, Chief Executive and Principal
Martin Harrison, Executive Director Finance (EDF)
Andrew Hartley, Executive Director Commercial and Operations (EDCO)
attended for items 1-4 only
Robert Knowles, Internal Audit Manager, RSM
Mark Pearson, Executive Director Strategy and Systems Improvement (ED SSI)
Alison Shillito, Governance Advisor and Clerk to the Governing Body. (Clerk)
Kris Watson, Executive Assistant to the Clerk and EDP

**Action
by
whom by
when**

21/3/1 Welcome, introduction and apologies

- 1.1 The Chair reported the resignation of Dick Moore as a committee member (and governor) and welcomed back Gwyn Arnold who re-joined Audit and Risk Assurance Committee (ARAC) to support quoracy while the board is recruiting new members. Gwyn tried to join the meeting by zoom video link but was unable to participate due to audio difficulties at the college and therefore the committee reluctantly accepted her apologies.
- 1.2 It was noted that the focus of the meeting would be to ensure the committee has completed its work to agree opinions on the adequacy and effectiveness of the College's frameworks for risk management, governance and internal controls for the 2020-21 financial year.
- 1.3 The committee welcomed Andrew Hartley, Executive Director Commercial and Operations (EDCO) and agreed to take his items at the start of the meeting.
- 1.4 The meeting noted apologies from Saleem Rashid and Gwyn Arnold, as above.

21/3/2 Declaration of interest

- 2.1 There were no relevant interests from members.

21/3/3 Minutes of the last meeting

- 3.1 The committee approved the minutes of the meeting held on 26 May 2021 as an accurate record, subject to one change, Minute reference 21/2/11.3 – 4th line “subject to EDF having authority” should be “subject to giving EDF authority”
- 3.2 The committee approved the confidential minutes of the meeting held on 26 May 2021

21/3/4 Matters Arising and Action Record

- 4.1 The committee agreed that all relevant matters arising had been added to the Action Record and considered the matters arising that were not covered elsewhere on the agenda. Some of the discussion is recorded in a confidential minute on the grounds of commercial sensitivity.
- 4.2 Minute 21/2/6.5 refers: Fire Risk Assessment:
Andrew Hartley, EDCO, provided an update on completion of actions raised in response to the recommendations in the recent Fire Risk Assessment. Members discussed the report and the main issues were as follows.
- a) **Progress**, members welcomed the substantial progress made since the last meeting on completing high and medium priority actions.
 - b) **Fire strategy**, a member asked about the purpose and impact of further consultancy with the college’s property advisers. The EDCO said that the consultants are advising on enhancing strategies for safe evacuation of all buildings following the FRA. The Executive Leadership Team (ELT) would consider the report and any significant risk management actions would be reported to ARAC.
 - c) **Cladding**, a member asked about what action the college has taken to ensure that the cladding materials used in its buildings meet relevant safety standards. The CEP said that there was work done to identify and assess cladding following the Grenfell fire and this was reported to governors at the time. The Clerk agreed

ACTION

To ascertain what work has been done previously to check the safety of the cladding on college buildings and circulate relevant minutes to members

Clerk 10.11.21

- 4.3 Minute 21/2/9 refers: Audit Code of Practice, the Chair thanked members for attending the AoC workshop on the role of audit committees on 16 September 2021. All members present and Gwyn Arnold had attended and it had been a good opportunity to

ensure everyone was up to date with the expectations of regulators as well as considering sector-wide emerging issues for college accountability.

4.4 Minute 21/2/10.3 refers: Internal Audit Annual Plan 2021-22

The committee noted and approved the updated Internal Audit Annual Plan, which had been updated with a note on how risks that are not addressed in the IA Plan are otherwise addressed. It was commented that the plan did not identify governance as a significant risk for the college but that governor recruitment is a significant issue for the sector. The Clerk said that governor search is ongoing and she would update the governance risk as necessary to reflect the movement in this risk for the college.

4.5 Minute 21/2/15.1 refers: IAR: Curriculum Planning

The Chair reported that he had met with key staff to see how the college's partnering process for curriculum planning works. The Chair said that the system was impressive and gave reassurance that there is a systematic link between budgeting, curriculum planning, capacity and investment in the estate. This is something that all governors would benefit from knowing more about in the context of planning future strategy. It was suggested

ACTION

For a future governor strategy day, members might benefit from a session on curriculum planning and the links between investment, estate and curriculum development.

GB
Chair / Clerk 19.1.22

21/3/5 Subcontracting Controls Report

5.1 The EDCO reported that KPMG had completed the external review of subcontracting required by the ESFA and presented the report to the committee. It was noted that, as a change to previous practice, colleges are now required to submit the full report and not just the certificate of assurance to the ESFA. The review included three observations for enhancing practice. College managers had agreed action to address these and the actions were on target to be completed by the end of October.

5.2 The committee considered the report and the main points discussed were

- **Assurance on completing actions**, the External Auditor commented that the scope of the ESFA review included reporting on completion of actions agreed in previous years so this would be done in the next annual review and reported to the committee.
- **extent of the college's subcontracting portfolio** seemed to include several colleges with relatively small numbers of learners and this was because the college was lead provider for some large national apprenticeship contracts.

5.3 Members were satisfied that the observations made in the review were being appropriately addressed by college managers. The

committee adopted the report on behalf of the Governing Body and agreed it should be submitted to the ESFA.

21/3/6 Risk Management Strategy 2021/22 and Strategic Risk Register update

6.1 Risk Management Policy

Mark Pearson, Executive Director Strategy and Systems Improvement, introduced the updated policy which included changes to terminology in line with the College Strategy 2021-25 and proposal for changes to the Risk Appetite for certain elements of the strategy.

6.2 The committee considered the changes to the policy. It was noted that this policy had been introduced, replacing the previous approach, at a time when a newly appointed chair and executive team had a significant college improvement plan to deliver. The appetite for risk across all indicators was set at “low”. As discussed at the last governor strategy event, the new college strategy included some areas where the college should be willing to accept some risks in certain circumstances to achieve its aims and where risks could be tolerated, treated or transferred.

6.3 The committee agreed the changes and recommended approval to the Governing Body of the revised policy.

6.4 Strategic Risk Register

The committee received the register and noted the changes. One of the changes discussed was the addition of a new risk recognised for college premises is ensuring compliance with the broad range of legislative requirements including environmental legislation. The External Audit Director commented that maintaining compliance with environmental sustainability requirements would be an issue for all sectors and the National Audit Office had published a good practice guide for ARACs that members might find helpful. The Chief Executive and Principal commented that the Executive Leadership Team (ELT) had initiated a project covering green operations and green skills in the curriculum to make proposals to governors in due course.

ACTION

Climate change good practice: circulate National Audit Office report to Clerk for onward transmission to members

KPMG 12.10.21
/Clerk

<https://www.nao.org.uk/report/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/#>

6.5 Covid-19 Risk Register

The EDSSI reported that the college was continuing to maintain a separate risk register to help manage the college’s response to Covid-19. Governors discussed the continuing risks for the college as the local and national situation continues to change. The main issues discussed were as follows:

Staff morale and attitudes to campus teaching: the CEP said that morale was generally good but some staff were concerned

about large case numbers amongst young people. To respond to this, the college had made it mandatory for staff to wear face coverings in communal areas and was considering reintroducing mandatory face coverings in communal areas for everyone, except for people who are exempt.

Hybrid teaching: case numbers are relatively low but with over 10,000 students using college campuses cases may well increase. The college is working hard to encourage self-reporting where students have symptoms or are isolating. Teaching groups where some students are on campus and others are remote are a challenge for staff. The college has online resources in place to support remote learning but hopes not to have to return to fully remote learning. A return to mandatory face coverings is being considered as a practical measure that would help keep as many students as possible in on-campus learning.

- 6.6 The committee noted the changes to Strategic Risk Register and the Covid-19 Risk Register. Members were reassured by the college's continued attention to the risks presented by Covid-19 and mitigation actions. The committee agreed that it was satisfied that its assurance plan continued to be appropriate to the risks.

21/3/7 Internal Audit Report – Follow-up Audit

- 7.1 The Internal Audit Manager introduced the report on the follow-up audit, commenting that 23 of the 26 actions from 2019-20 had been confirmed as complete, which was a high rate of completion. On this basis, the IA opinion was that the college was making good progress on acting on IA recommendations.
- 7.2 The committee considered the report and the main discussion was about those actions that were being carried forward and the risk this posed to controls and efficiencies. The two actions in progress were actions where some variability had been found in implementation and this was being addressed through training. The action that had not been implemented was training for Finance staff in a new reporting system to maximise its functionality. The Executive Director of Finance commented that the additional functionality is desirable. The risk of not fully implementing the system is an opportunity cost. The finance team have appointed new staff who might be suitable for training. The team planned to reassess the longer term suitability of the software for the college once trained staff were able to test its reporting capability.
- 7.3 The committee received the report and welcomed the assurance on good progress and reliability of internal reporting on follow-up.

21/3/8 Internal Audit and External Audit update: recommendations and management actions, progress report

- 8.1 The EDF presented the report, the main issues discussed were on health and safety actions. It was noted that there had been two health and safety internal audits in the last two years. A

member commented that there were several actions in progress with extended completion dates and asked about the risks of this work being delayed. The EDF said that completing the actions was a priority for ELT. There had been delays due to staff turnover. The new Head of Health and Safety was making excellent progress with these actions and had improved reporting so that managers and governors are clear on what has been done and what is still to be done. The changes already made due to the IAs and the Fire Risk Assessment actions were having a positive impact on staff and students such as the increased number of trained first aiders who were available on campus to attend first aid requests.

- 8.2 The committee received the report and approved the changes to completion dates requested in the report. Members were satisfied that the actions carried forward from 2020-21 did not result in undue risk that might have an impact on the committee giving an opinion on the adequacy and effectiveness of governance, risk and internal control.

ACTION

Internal Audit and External Audit update: it was noted that the spreadsheet presented with the report did not include the approved revised target date. It was agreed that this information and external audit actions should be included for future meetings.

EDF/ Clerk 24.11.21

21/3/9 Internal Audit Report - Business Continuity

- 9.1 The Internal Audit Manager presented the report. It was noted that the audit had been completed remotely at a time when the business continuity plan was in use for managing the college's response to Covid-19 as a major incident. The audit had found in date plans at college, faculty and department levels and a regular forum meeting to discuss business continuity. There was a plan for testing the BC plan but with the ongoing pandemic a separate test had been delayed.
- 9.2 Members considered the report and asked about governance of business continuity. The CEP said that college governors were included on the business continuity communication tree. For the pandemic, Governing Body had agreed a separate governor group to provide oversight. FEGP Committee has oversight of issues affecting people, financial sustainability and premises, as well as oversight of health, safety and business continuity planning in general issues.
- 9.3 The committee received the report, welcomed the reasonable assurance it provided and that there would be a further internal audit of business continuity at the end of the year and agreed

ACTION

to send the Business Continuity Report to Chair of FEGP (Stephen Hollingshead) to monitor via relevant reports

Clerk 10.11.21

21/3/10 Internal Audit Report – Key Financial Controls (Payroll)

- 10.1 The Internal Audit Manager presented the report and commented that it was rare for auditors to be able to give substantial assurance on the implementation of a new IT system. Members agreed that it was very pleasing to see how smoothly the rollout had gone. A member asked about resilience for maintaining operation as in some colleges retaining excellent expert users had been a challenge. The committee asked the Clerk to seek a comment on this from the Executive Director of People.
- 10.2 The committee welcomed the revised layout of the report and the substantial assurance. The committee agreed

ACTION

Internal Audit Report - Key Financial Controls (Payroll): request information from Paul Simpson (EDP) on people team, staffing, training and succession planning for payroll system.

20/3/11 Internal Audit Progress Report on 2021-22 Plan

- 11.1 The Internal Audit Manager presented an update on progress against the IA Plan for 2021-22. The committee received the report and welcomed the assurance that work was on track despite the continuing impact of the pandemic.

ACTION

Circulate links to members for the briefing documents mentioned in Appendix C of the report.

Clerk 10.11.21

21/3/12 Annual Report of the Internal Audit Service 2020-21

- 12.1 The Internal Audit Manager presented the final annual report, highlighting
- that there had been no high priority recommendations,
 - all recommendations had been agreed by college managers
 - there had been good progress on implementing enhancement actions in 2019-20 and action had already been completed in many cases for 2020-21 recommendations.
- 12.2 The committee considered the report and the main points of the discussion were
- **“Amber/Green” opinion**, members welcomed the advice that the college does have an adequate and effective control framework and is making good progress on responding to recommendations to enhance that framework.
 - **Value added**, members commented positively on the additional briefings and sector intelligence provided by Internal Auditors. It was noted that RSM had contributed to presenting the training workshop for audit committees that members had attended. Reports on sector benchmarking and good practice were being used by college staff to self-assess local practice.

- **KPI**, performance of RSM in feedback on the audit and in meeting targets was very good. The CEP commented that sometimes college managers do not respond quickly enough on draft reports. This has improved somewhat since last year and the EDF and CEP will keep this under review in 2021-22 to make progress this year for report in June 2022.

12.3 The committee received the final report, noted that the RSM team of internal auditors remained independent and were not conflicted in giving an opinion. Members welcomed the opinion and resolved to commend the report to the Governing Body as part of its assurance for the ARAC Annual Report.

21/3/13 External Audit progress

13.1 The External Audit Director gave an oral report on progress on the audit of the financial statements and the regularity audit. There were no significant issues for the committee to note but the additional tasks required of auditors, such as sampling learner records, meant that things are taking longer. The EDF commented that the process was not as far along as he would have liked and some of this was due to staff illness earlier in the plan. The interim audit had helped mitigate the impact of this.

13.2 The committee received the report and the External Audit Director agreed

KPMG 24.11.21

ACTION

Alert the Chair and EDF should any significant issues arise before the next meeting.

21/3/14 Other External Assurance

14.1 The committee received the following reports providing additional assurance on aspects of the college's control framework:

- a) Teachers Pensions Scheme Certification 20-21
- b) Assurance Review of Covid funding for skills recovery.

The committee noted that both reports provided reasonable assurance that the college's controls were adequate and effective and supported a positive opinion on data quality.

21/3/15 ESFA Regularity Questionnaire 2020-21

15.1 The Clerk introduced the completed self-assessment questionnaire which is required by the funding agency and provided to external auditors as part of the assurance for the regularity audit.

15.2 The committee received the report and agreed there was sufficient evidence to endorse the findings of the self-assessment. The committee agreed to adopt the completed questionnaire, subject to the FEGP Committee completing its

post implementation review of capital projects completed in 2020-21.

21/3/16 Audit Committee Annual Report 2020-21

- 16.1 The Clerk presented the draft Annual Report, drawing on the committee self-assessment at the last meeting and the assurance presented over the year including the annual report.
- 16.2 The committee considered the report and agreed the following.
- **Attendance** it should be noted that the staff governor absence was authorised absence (due to illness)
 - **Approval of the 2020-21 Internal Audit Plan** was at the June 2020 meeting and this should be added to the table of ARAC business.
 - **Committee effectiveness** - based on its work during the year, the committee concluded that it has operated effectively during the period and fulfilled the responsibilities in its remit.
 - **Assurance arrangements**, based on its work during the year, the committee concluded that the college's assurance arrangements remained adequate and effective during 2020-21.
 - **Governance**, based on the assurances received during the year, including the feedback from the FE Commissioner, Ofsted and an independent governance consultant, the committee concluded that the college's framework of governance remained adequate and effective in 2020-21 and in some respects, highly effective.
 - **Risk management**, the college is continuing to demonstrate good practice in managing risk for example with regular review of the risk management policy and the success of the risk-based approach to managing the threat of Covid-19. The report should include reference to this evidence, which further supports the conclusion the college's risk management remained adequate and effective during 2020-21. The committee agreed this opinion and asked for it to be added to the report.
 - **Solvency and safeguarding assets**, the committee noted the ESFA financial benchmarks reported good / outstanding financial health score across its financial plans and outcomes in 2020-21. The committee agreed that the corporation (managers and GB) have been highly effective in securing solvency and safeguarding assets.
- 16.3 The committee agreed the opinions in the report and asked the Clerk to update the content to reflect the comments in the meeting and add the final Internal Audit Annual Report to the appendices.

ACTION

Audit Committee Annual Report 2020-21: make the changes discussed in the meeting

Clerk 10.11.21

(Internal Auditors and External Auditors left the meeting.)

21/3/17 Retendering of the external auditor

17.1 For reasons of commercial sensitivity, the discussion of this item is recorded in a separate confidential minute

17.4 The committee approved the actions proposed in the report and agreed:

ACTION

complete tender paperwork documentation as soon as possible after completion of the financial statements' audit for 2020-21.

EDF 31.1.22

Publish the tender to the list of firms in the report with a reasonably long lead date for submissions to maximise participation.

21/3/18 Review of meeting and closing remarks

18.1 The committee agreed it had been a productive meeting during which members had considered important assurances that completed the assurance plan for 2020-21. This had enabled the committee to give a "clean" opinion to the GB on the college's frameworks for assurance, governance and internal control. The Chair thanked the Clerk, committee members, advisors and executive colleagues for their support during 2020-21.

18.2 The meeting had also reviewed and re-affirmed its assurance plan for 2021-22 and had approved plans to tender for the external auditor for the 2021-22 to ensure the college has a sound plan for internal and external assurance going forward.

18.3 The committee continued to have regard to the importance of the student experience in its discussions about maintaining solvency, enhancing health and safety, fire prevention and maintaining business continuity.

21/3/19 Date and time of next meeting

24.11.2021, 9.30 – 11.00 in the New Boardroom, City Campus (joint meeting with FEGP Committee)

23.03.2022, 08.30 – 10.30 in the New Boardroom, City Campus

06.07.2022, 08.30 – 10.30 in the New Boardroom, City Campus