



**AUDIT AND RISK ASSURANCE COMMITTEE  
CONFIRMED MINUTES**

**Date:** 24 November 2021  
**Venue:** New Boardroom City Campus

Clerk to the Corporation  
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Sheffield, S2 2RL  
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Email  
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**Present:** AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)  
Ian Falconer (Chair of ARAC and chair of joint meeting)  
Matt Ainsworth, co-opted member  
Gwyn Arnold, governor  
Sol Miah, governor

FINANCE, EMPLOYMENT AND GENERAL PURPOSES COMMITTEE  
(FEGP) (09.30 -10.10 am)  
Stephan Hollingshead (Chair of FEGP)  
Holly Anderson, staff governor  
Peter Brooks, governor (via zoom link)  
Angela Foulkes, Chief Executive and Principal (CEP) and governor  
Beri Hare, governor (via zoom link)  
John Mothersole

**In attendance:** James Boyle, Director Public Sector Audit KPMG  
Angela Foulkes, Chief Executive and Principal (for ARAC meeting)  
Martin Harrison, Executive Director Finance (EDF)  
Andrew Hartley, Executive Director Commercial and Operations (EDCO)  
attended for items 1-6 only  
Robert Knowles, Senior Auditor, RSM  
Lisa Smith, Senior Manager, Internal Audit, RSM  
Mark Pearson, Executive Director of 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

		<b>Action by whom</b>	<b>by when</b>
<b>21/4/1</b>	<b>Welcome, introductions and declarations of interest</b>		
1.1	At 09.30 members of Audit and Risk Assurance Committee (ARAC), Financial Statements' Auditors and Internal Auditors joined the meeting. The Chair of Finance, Employment and General Purposes Committee (FEGP) handed over chairing of the joint items to the Chair of ARAC. The Chair of ARAC welcomed the financial statements' auditors and internal auditors to the joint meeting.		
1.2	The meeting received the apologies of Saleem Rashid (ARAC member). It was confirmed that the meeting of ARAC was quorate.		
1.3	There were no relevant interests declared by members of ARAC.		

## **21/4/2 Chair's comments**

2.1 The Chair reminded the members of FEGP and ARAC of

- i) The purpose of the joint meeting:
  - a) for members to be satisfied that the draft report and financial statements for 2020/21 properly present the college's financial position, that the various formal statements included in the Report are accurate, and that the corporation remains a going concern;
  - b) for members to be satisfied that the college can continue to support its wholly owned subsidiary companies going forward;
  - c) for members to be satisfied that a proper, independent external audit of the accounts has been completed;
  - d) based on the above to advise Governing Body (GB) that the accounts be formally adopted and the various representations sought by the auditors can be given on behalf of the Governing Body by the Chair of Governors and the Chief Executive and Principal (CEP), in her capacity as the Accounting Officer.
- ii) The respective roles of two committees, which are:
  - a) FEGP shall comment on the accuracy of the figures and the application of proper accounting policies;
  - b) ARAC manages the auditors appointed by GB and ensures a proper audit has been done, considers any control issues arising in the audit and agrees the draft Statement of Corporate Governance and Internal Control.
- iii) Both committees confirm that the draft Members' Report is consistent with their knowledge, including the Statement of Responsibilities of the Members of the Corporation and Statement of Regularity, Propriety and Compliance.
- iv) The opportunity is open to all members to engage with the Financial Statements' Auditors directly about the audit and raise any queries about the process or the matters in their report, which opportunity might not otherwise be open to FEGP members.

## **21/4/3 Final Draft Report of the Members of the Corporation and Financial Statements for the 12 month period from 1 August 2020 to 31 July 2019**

- 3.1 The Executive Director of Finance (EDF) presented a covering report on the college's financial position and commented that the audit is still in progress. The Chair invited members' questions and comments on the draft.
- 3.2 Members discussed the Strategic Report and the main comments and queries were:

**Financial KPI**, members asked for the measures to be clearly stated in the report and that, for staff numbers, the report should note if the numbers are full time equivalent or a different measure.

**Working with local communities**, this section seemed somewhat narrow, focusing on the excellent work the college is doing to support Sheffield as a City of Sanctuary. Members suggested that the college's

outreach work with schools and other organisations should also be mentioned to show a broader range.

**Achievement rate** was 88% for 2020/21, this is a key indicator for the college and should be included in the Members' Report.

**Reserves Policy**, it was noted that the college has not formally adopted a reserves policy. The external auditor advised that it would be best practice for the college to develop and adopt a policy. There would need to be some care taken to exclude the impact of significant variations in pension scheme values.

- 3.3 Subject to the comments above, FEGP Committee agreed that the Objectives and Strategy section of the draft report were an accurate statement of the current performance of the college. The committee also agreed

#### ACTION

Develop a reserves policy for the FEGP Committee to recommend to GB

EDF

2/3/22

- 3.4 Based on the discussion, FEGP Committee and ARAC agreed to recommend approval to Governing Body of the draft Report for adoption, subject to discussion of going concern and any post balance sheet events.

#### 3.5 **Going Concern**

The committees discussed the proposition in the draft report that the college is a going concern. Members noted that the college had maintained a good financial position despite the challenges of the COVID-19 pandemic for some income streams. The main issue discussed was the impact of the delay in refinancing the college's AIB loans. The EDF said that the college was still waiting to hear from AIB if it would require a new valuation for a new loan. AIB had indicated it would extend the period of the current loan if a new arrangement could not be finalised by the end date. The EDF said that the college's cash position meant it could repay the loan if necessary but the best option, supported by FEGP, was repaying the three AIB loans over 3-5 years to support the college strategy, adhere to loan covenants and maintain good financial health.

In the context of the college's strong cash balances, its proven ability to manage the ongoing risks of COVID-19, FEGP committee advised the Governing Body that the college is a going concern for the next 12 months.

#### 3.6 **Statement of responsibilities of members of the corporation**

Based on the discussion, FEGP and ARAC agreed to recommend approval to Governing Body of the Statement of Responsibilities of Members of the Corporation.

#### 3.7 **Financial Statements and Notes to Accounts**

The meeting considered the financial statements and notes and members queried the change in the ratio of the Chief Executive and Principal's remuneration as a multiple of median salary, which seemed to have increased significantly compared to 2019/20. The EDF said this was because the college had been advised to calculate this differently in 2020/21, with reference to all staff in the College Group.

- 3.8 FEGP committee agreed the Financial Statements and Notes and commended them for adoption by the Governing Body subject to **ACTION** addition of a note explaining the change to the CEP's remuneration as a multiple of the median salary.

#### **21/4/4 Financial statements of the college's subsidiary companies**

- 4.1 The committees received the draft accounts for the college's three wholly owned subsidiary companies (Sparks Teaching Services Ltd, Sparks Managed Services Ltd and Sparks Solutions Limited). The Clerk reported that the company directors had yet to approve and sign the drafts. It was noted that the appointment of company directors is subject to approval by the GB and all directors are members of the college Executive Leadership Team (ELT). This was agreed as appropriate due to the nature of services provided by the companies being closely aligned to college operations. The External Auditor reported that the audit of the subsidiary company accounts was nearing completion and there were no issues to report to date.
- 4.2 Subject to the outcome of the audit and any post balance sheet events, FEGP agreed the financial statements for the three companies for incorporation into the College Group accounts and commended them for adoption by GB.

#### **21/4/5 Letters of Support for the Subsidiary Companies**

- 5.1 The committees received the proposed letters of support for the college's wholly owned subsidiary companies. It was noted that in their capacity as trustees for an exempt charity, governors should have due regard to their obligations under charity law in agreeing to provide a letter of support. The committees noted:
- that all three subsidiary companies reported regularly to FEGP in 2020/21 and those reports confirmed that they were working in line with the shareholder's intentions;
  - the most recent review of the remit and viability of the companies in 2018/19, had re-affirmed that they continued to be good value for money for the college compared to other options for sourcing the services;
  - Sparks Solutions Limited carried forward a debt to the college from a previous trading activity that had ceased so needed a letter of support to be considered a going concern;
  - the provision of the letters was not a matter requiring external professional advice.
- 5.2 Having had due regard to Charity Commission guidance on such support, FEGP Committee advised Governing Body to continue to support of the subsidiary companies for 2021/22 and at least until 31 December 2022 and advised the Chair of Governors to take Chair's Action to sign the letters of support.

#### **21/4/6 External Audit Highlights Report 20-21**

- 6.1 The External Auditor presented the draft report to the committees, which was draft as the audit was still in progress. Based on the work to date, the External Auditor reported that they had found no significant issues that might result in them issuing a qualified opinion on the accounts. In the context of the college's cash position, the AIB loans did not seem to

present a material uncertainty as the college could repay the amounts, if necessary.

- 6.2 The committees welcomed the assurance provided by the proposed clean audit reports on college and its subsidiary companies, requested any new issues arising in completing the audit be notified to the Chair of ARAC and otherwise that the final report be submitted for circulation to GB as soon as possible.

KPMG 30.11.21

#### **21/4/7 Financial Statements Regularity Self-Assessment Questionnaire 2020/21**

- 7.1 The chair of ARAC presented the report, previously approved by ARAC on 20/10/2021, explaining that the information in the questionnaire guides completion of Statement of Regularity, Propriety and Compliance in the Annual Report that Chair and CEP must sign.
- 7.2 FEGP committee noted the Regularity Questionnaire and both committees welcomed the assurance provided by proposed unqualified Regularity Opinion arising from the Regularity Audit. ARAC approved the Regularity Audit Self-Assessment Questionnaire as presented and advised that it was as suitable for signature by the Accounting Officer and Chair of Governors, on behalf of the Governing Body.

#### **21/4/8 Management representation letter**

- 8.1 The Chair introduced the management representation letter explaining its purpose and the representations sought by the Financial Statements' Auditor.
- 6.2 Based on the discussions, the members of ARAC and FEGP agreed to advise the Governing Body that it may confirm the representations sought by the Financial Statements' Auditor including that:
- the accounts present a true and fair view of The Sheffield College and had been prepared on a going concern basis
  - there were no significant post balance sheet events that members know of to report
  - members are not aware of any frauds or allegations that have not already been disclosed to the Financial Statements' Auditors
  - members are satisfied with the Statement on Regularity, Propriety and Compliance and advise GB to authorize the Chair of Governors and CEP to sign this on behalf of the Board.

#### **21/4/9 Concluding remarks**

- 9.1 The committees recorded thanks to the EDF and the finance team for preparation of the financial statements and external auditors on their conduct of the audit process.

The joint meeting concluded at 10.10 am at which point FEGP committee members, Andrew Hartley and Paul Simpson left the meeting.

#### **21/4/10 Chair's comments**

- 10.1 Regarding the order of the remaining business, the Chair said that following review of the minutes and matters arising, the committee would continue its discussion of the External Audit Highlights draft

report. The focus of that discussion would be to consider the findings and recommendations for developing the control environment.

#### **21/4/11 Minutes of the last meeting**

- 11.1 The committee approved the minutes of the meeting held on 20 October 2021 as an accurate record, subject to two changes,  
Minute reference 21/3/1.1, the addition of the following to the end of the clause “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.”  
Minute reference 21/3/4.3, the addition of “Gwyn Arnold” to the note of members who had attended audit committee training.
- 11.2 The committee approved the confidential minutes of the meeting held on 20 October 2021.

#### **21/4/12 Matters Arising and Action Record**

- 12.1 The committee agreed that all relevant matters arising from the last meeting had been added to the Action Record and considered the matters that were not covered elsewhere on the agenda.
- 12.2 Minute 20/4/2.6 refers, Refinancing loans:  
The EDF reported that the application to AIB for a new consolidated loan to replace the existing borrowing was in progress. The AIB had confirmed that they would extend the term of the loan due to determine on 31 December 2021 should this be required. The committee was satisfied that the college was taking all reasonable steps to resolve the matter and welcomed the assurance from the bank.  
[Post meeting note: AIB have contacted the college with a new loan offer to resolve the issue. As reported in the media, AIB has sold its loans so the new loan will be with the different provider.
- 12.3 Minute 21/3/4.3 refers, Fire Risk Assessment, Cladding  
It was noted that the college had responded to the query about cladding risks and that the college had checked that taller college building (above 3 stories) did not include any aluminium composite panels of the type that proved to be highly flammable in the Grenfell fire.
- 12.4 Minutes 20/4/19.1 and 21/2/4.4 refer, Control environment for an outstanding college  
The committee agreed to the rescheduling and requested  
**ACTION:** the self-assessment reviews of Financial Controls and Health & Safety to be brought to the next meeting and the self-assessment of Procurement practice to be brought to the July meeting.

EDF	23.3.22
EDCO	
EDF	6.7.22

#### **21/4/13 External Audit Highlights Report 2020/21**

- 13.1 The committee continued to consider the issues arising from the audit of the financial statements. The main issues discussed were as follows.

**Pensions**, the audit report was once again recommending that the college should challenge the assumptions of the valuations provided by its actuaries. It had been agreed last year that the cost of commissioning additional actuarial advice would not be cost effective. The External Audit Director said that the pension risk was necessary to meet audit standards. It was good practice for someone in the organisation to review the assumptions underpinning the valuations for reasonableness. The college had confirmed that there was a process in place for reviewing the reasonableness of the assumptions and the External Audit Director agreed to reflect this in the final report.

**Petty cash holdings**, although reduced compared to lockdown, the values being held seemed on the high side. The EDF said there was still an amount of cash being handled for various activities and he was taking steps to increase cashless transactions for and reduce the amounts of cash held. The committee would review this in the 2021-22 audit.

KPMG 30.11.21

**Component accounting**, this was a repeated recommendation from previous audits. Members noted that it would be a significant task to account for all assets on a component basis and members asked if the benefits of accounting by campus justified the work. The External Auditor said there were benefits of component accounting because the organisation can more easily manage its asset register. There would be a financial benefit to the college by capitalising the useful life of the asset more accurately. The EDF said that all new capital assets were being added to the register on a component basis but it was time consuming and difficult to back fill the data. This was a low priority recommendation; it would give the college a better understanding of its asset base but it would be something that was implemented as assets changed and were replaced.

### 13.2 Auditor Independence

The committee had previously approved the additional work by the External Auditors (for Subcontracting Review and Pensions Certificate) and agreed that it was satisfied with KPMG's independence to perform the duties of External Auditor.

### 13.3 Audit Fees

The committee agreed that the EDF should agree the final invoice for the fee with the Chair of ARAC.

### 13.4 Outstanding work

The External Audit Lead reported that auditors were testing samples of Learner Support Fund claims and resolving queries on accounts receivable to complete the college audit. For the subsidiary companies, auditors were completing testing of journals. There were no new concerns to add to those in the draft report. The Audit Engagement Lead agreed to contact the College as soon as possible if there appeared to be any issues arising in completing the audit or the timetable.

### 13.5 Audit recommendations from 2020/21

The discussion of the recommendations is recorded above. Subject to the comments on the pension recommendations, the committee

requested that the agreed control recommendations be added to the External Audit recommendations action tracker.

- 13.6 The committee agreed that the proposed opinions were appropriate and welcomed the assurance that there were no impropriety issues and no significant deficiencies in internal control.

#### **21/4/14 Strategic Risk Register**

- 14.1 The committee received the update and noted the changes. Members were assured that the significant risks on the register (loans, pensions and COVID pandemic) were the ones dominating the agenda of governor committees and there were no new emerging risks not already being managed.

#### **14.2 Covid-19 Risk Register**

The Executive Director of Strategy and Systems Improvement (EDSSI) reported that the college was continuing to maintain a separate risk register to help manage the college's response to Covid-19. It was commented that the main risks to staff and students appeared to be in community transmission and outside the college's control. The EDSSI said that since the last ARAC meeting, the college was asking everyone to wear face coverings in communal areas and to continue asymptomatic testing at home. The Covid Governor Group had a scheduled meeting before the end of term to consider what if any changes the college should be adopting for January 2022. There were no changes currently being proposed, either to the way Covid-19 risks are being managed, or to the Covid-19 risks identified.

#### **14.3 Board Assurance Mapping**

The EDSSI presented the draft which sought to align the college's highest risks to the new college strategy and show the annual plan for assuring that the risks were being managed effectively. The draft presented the risks by theme whilst retaining those risks that were most critical and/or with greatest movement. It was intended that the map would be updated regularly to reflect the receipt of internal and assurance over the course of the plan. ELT had discussed the draft and directors had commented that although it would not reduce the work in reviewing and updating the risk register, the mapping would promote more focused discussion of the highest risks.

- 14.4 Members considered the draft and the main comments were:

- the format is clear and understandable to a lay person. Although not quite all on one page, the map is a significant reduction in size compared to the full strategic risk register. Presenting the risks in this way would make risk more accessible to other governors.
- Summarising risk ratings by theme might reduce the scores. This could be avoided by retaining the score for the highest risk in the theme rather than averaging scores.
- The Internal Audit Senior Manager commented that it was the approach she was seeing in risk mature organisations. It would be improved once the commentary started reporting on what the sources of assurance were telling members and managers about the adequacy and effectiveness of relevant controls.

- 14.5 The committee noted the changes to the Strategic Risk Register and the Covid-19 Risk Register. Members approved the draft assurance mapping, subject to members' comments being incorporated. It was agreed that members would be happy to receive the updated board assurance pack at each meeting (report on changes to the SRR and updated Board Assurance Map) with the updated Strategic Risk Register being presented annually. The committee commended the assurance mapping to GB.

**21/4/15 Internal Audit and External Audit recommendations update**

- 15.1 The EDF presented the report, which noted that, since the last meeting, three actions had been completed. The EDF requested extensions to three actions agreed in the Business Continuity IAR. The committee agreed the request in principle subject to agreeing the new due date with Internal Audit as the actions need to be in place before the next Business Continuity IAR scheduled for the new calendar year. The EDF commented on the ongoing difficulty of recruiting a finance data analyst and that the college would also be recruiting a replacement People data analyst shortly. This might lead to a further delay in completing some actions on finance reporting systems training and equality data.
- 15.2 The Committee received the report, agreed the four extensions to deadlines. Members welcomed the progress that action owners had made to completing actions since the last meeting and their confidence in the process.

**21/4/16 Internal Audit Progress Report on 2021-22 Plan**

- 11.1 The Internal Audit Senior Manager presented an update on progress against the IA Plan for 2021-22. It was noted that most of the IA work continued to be conducted remotely but auditors would attend site where this was necessary for the review. Since the last meeting, a change to the annual IA plan had been proposed, the use of contingency days to undertake an advisory review of the extent to which the college's apprenticeship control processes are compliant with upcoming changes in ESFA regulations.

The committee received the report, welcomed the progress reported and the assurance, agreed the change to the IA Annual Plan and agreed

**ACTIONS**

- |                                                                                                                                         |               |         |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------|---------|
| a) the Cyber Security IAR report to be circulated to members once the final version is agreed rather than waiting for the next meeting. | EDF/<br>Clerk | ASAP    |
| b) Share with members the RSM briefing 'FE Emerging Issues'.                                                                            | Clerk         | 8.12.21 |

**21/4/17 Audit Committee Annual Report 2020-21**

- 17.1 The Clerk presented the updated Annual Report, and two additional appendices, a review of the college's compliance with laws and

regulations and the update to the college's self-assessment against the AoC Code of Good Governance.

- 17.2 The committee considered the updates to the report and agreed the following.
- The additional internal assurance provides additional evidence that the college has a thorough and diligent approach to ensuring that it complies with the sector's expectations of good governance and the laws and regulations applying
  - The report provides good evidence to underpin the opinions in the Statement of Corporate Governance and Internal Control
  - The report is high quality, detailed piece of work by the Governance Advisor and Clerk.
- 17.3 The committee agreed the opinions in the report and asked the Clerk to update the content to reflect the comments in the meeting, add Matthew Ainsworth to the membership list, add the new appendices and update the opinion to reflect the External Auditor's report to the meeting. Subject to these changes, the committee approved the report and commended it to the GB.

**ACTION**

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

**21/4/18 Statement of Corporate Governance and Internal Control**

Based on the findings of ARAC Annual Report 2020/21, confirmed by the Internal Audit Annual Report, the committee agreed to recommend adoption to the Governing Body of the Statement of Corporate Governance and Internal Control.

**21/4/19 Review of meeting and closing remarks**

- 19.1 Members commented that the overlapping meeting with FEGP Committee continued to be effective. Members thanked
- the Clerk for her work on the Annual Report and compiling the responses to the Regularity Questionnaire,
  - the EDF for the work on the annual members reports, financial statements and the way he had developed reporting on actions in response to recommendations from internal audit and external audits and
  - the EDSSI for continuously improving and embedding the college's approach to risk management.

**21/4/20 Date and time of next meetings**

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