



**AUDIT AND RISK ASSURANCE COMMITTEE  
CONFIRMED MINUTES**

**Date:** 12 October 2022

**Venue:** New Boardroom City Campus

Clerk to the Corporation  
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Sheffield, S2 2RL  
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**Present:** Ian Falconer (Chair)  
Sol Miah, Governor  
Saleem Rashid (by videoconference from 09.07)

**In attendance:** Lisa Smith, Internal Audit Senior Manager, RSM  
Stuart McKay, External Audit Partner, Macintyre Hudson LLP (by videoconference)  
Angela Foulkes, Chief Executive and Principal (CEP)  
Martin Harrison, Executive Director Finance (EDF)  
Mark Pearson, Executive Director Strategy and Systems Improvement  
Alison Shillito, Governance Advisor and Clerk to the Governing Body  
Beth Smith, Executive Assistance (note taker)

**Action  
by whom      by when**

**22/3/1 Welcome, introduction and apologies**

- 1.1 The meeting was not quorate at 08.30 so the Clerk reported on items for information.

**22/3/2 Declaration of interest**

- 2.1 Item 15 related to a confidential matter and it was deemed to be a potential conflict of interest for the staff governor and therefore the staff governor withdrew for that report.

**22/3/3 Confidential reports**

- 3.1 Pending the arrival of the staff governor, college officers updated independent members on two confidential matters. The main points of the reports and comments are recorded in a separate strictly confidential minute.

**22/3/4 Saleem Rashid joined the meeting at 09.07. The meeting was quorate and proceeded to conduct the business on the agenda.**

**22/3/5 Minutes of the meeting on 6 July 2022**

- 5.1 The committee confirmed the minutes of the meeting held on 6 July 2022, noting the post meeting update reporting an addition to the gifts and hospitality register 2021-22.

## **22/3/6 Matters Arising & Action Record**

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

- 6.2 **Minute 21/3/4.1 Cladding condition survey:** members asked what was holding up completing the survey. The Clerk reported that the Estates Manager had not found a qualified firm willing to carrying out a survey of the cladding materials used across all campus buildings and the current safety rating.

**ACTION:** submit a plan for managing the potential risks of cladding should the fire resistance rating be reduced due to new knowledge or deterioration.

Head of Estates 23/11/22

- 6.3 **Minute 21/2/4.4 refers, Control environment for an outstanding college:** the Executive Director of Finance (EDF) reported that staff in Finance were working on another review of controls against the benchmarking report provided by RSM. The work had been delayed by staff vacancies, but it would be brought to a future meeting.

**ACTION:** reschedule report for March 2023 meeting

EDF 22/3/23

- 6.4 **Minute 21/2/4.6 refers, Fire risk assessment:** it was noted that Finance, Employment and General Purposes Committee (FEGP) was receiving an update at each meeting on completion of the recommendations from the May 2022 Fire Risk Assessment. The committee agreed this action was closed.

- 6.5 **Minute 22/2/12.2 refers, Business Planning Internal Audit Review**

The Chief Executive and Principal (CEP) said that business planning would start at the beginning of March 2023. The Executive Leadership Team would identify 2-3 meetings that would be suitable for observers and invite governors who could observe them online.

- 6.6 **Minute 22/2/17.1 refers, ARAC Membership,** it was noted that this action was missed from the ARAC Action Tracker as it had been referred to Search, Remuneration and Governance Committee. The quoracy issue experienced at the beginning of the meeting highlighted the urgency of appointing at least two additional members to the committee to comply with the Terms of Reference and for effectiveness.

**ACTION:** ensure the issue is raised with the Chair of Governors and SRG (Search, Remuneration and Governance) Committee resolves to appoint additional members.

Clerk 2/11/22

- 6.7 **Education and Skills Funding Agency (ESFA) Audit Code of Practice**

The committee noted that the ESFA had published further changes to the Code for 2021-22 providing instructions to the financial statements' auditor on reporting cases of fraud. The External Auditor said that the late publication coming towards the end of the audit

period was unhelpful but did not envisage that it would have a significant impact on the audit report.

## 22/3/7 Risk Management Strategy 22-23 & Strategic Risk Register update

- 7.1 The Executive Director Strategy and Systems Improvement (EDSSI) introduced the report highlighting that:
- two new risks had been added since the last meeting; one relating to a recent court judgment on holiday pay and the other on increasing energy prices
  - nine risk scores had been amended to reflect changing circumstances.

- 7.2 The committee considered the report and the main issues discussed were

**Number of strategic risks**, a member commented that the Strategic Risk Register (SRR) included a lot of detail, overlapping strategic and operational risks and asked if the committee should be reducing the number to ensure ARAC and Governing Body are monitoring risk at a strategic level. The EDSSI said that the register reflected the size and diversity of the college, which worked across public, commercial and charitable sectors. The Risk Assurance Map provided an overview but regular monitoring of the full SRR was productive in ensuring that all business units were actively contributing to managing strategic risks.

**Risk movement**, ARAC asked how other committees were engaging with the changes to risks within their remit, particularly for risks assessed as increasing. The CEP said that risk movement had been explicitly included in committee reports, as recommended by ARAC, so that members could consider if the actions in the report were addressing the risks.

**Office for National Statistics (ONS) reclassification**, this was due to be announced and the risk summary should be updated to reflect the implications for strategic risks

**Environmental sustainability and green curriculum**, the committee reiterated its view that the risks of climate emergency and the institutional response should be highlighted on the Strategic Risk Register and the Risk Assurance Map.

- 7.3 The committee received the report, noted that the next periodic review of the Risk Management Strategy was scheduled for October 2023 and confirmed that the current Risk Management Strategy remained fit for purpose for 2022-23. The committee noted the changes to the risk profile and agreed the following actions.

### ACTIONS

- |   |       |          |
|---|-------|----------|
| a) <b>Environmental sustainability</b> , amend the risk summary to ensure that this risk is included  | EDSSI | 23/11/22 |
| b) <b>ONS reclassification</b> , ensure that the summary and relevant strategic risks reflect the potential impact of the college being reclassified as a public sector body. | EDF   | 23/11/22 |

### **22/3/8 Internal Audit Follow-Up Audit**

- 8.1 The Internal Audit Senior Manager introduced the report on the follow-up audit. It was found that the college had implemented 17 of the 24 management actions, with 6 of the actions agreed as superseded, and implementation ongoing for 1 action. The risk of the ongoing action had been reduced to reflect the impact that this was partially completed. On this basis, the internal audit opinion was that the college was making good progress on acting on internal audit recommendations.
- 8.2 The committee noted the report and welcomed the assurance on good progress and reliability of internal reporting on follow-up.

### **22/3/9 Internal Audit and External Audit update: recommendations and management actions, progress report**

- 9.1 The EDF presented the report, reviewing progress and completion of action on internal audit and external audit recommendations. The committee approved closure of completed and superseded actions and agreed extensions for some actions.
- 9.2 The committee considered the report and challenged the number of extensions being requested. The EDF said that, on occasions, colleagues had agreed to actions and deadlines that were unrealistic or without considering the impact on workloads in other areas. It was also notable that managers reported progress on all actions whereas some institutions only reported on medium and high priority recommendations. Senior managers were now reviewing proposed actions, to check deadlines and dependencies. The intention was to quicken the pace for completing high priority actions and give colleagues sufficient time for low priority actions.
- 9.3 The committee noted the report and approved the removal of completed actions and the revised dates for completion of seven internal audit actions and one external audit action.

### **22/3/10 Internal Audit: Progress Report**

- 10.1 The Internal Audit Manager introduced the report. The committee noted that the work on the 2021-22 Internal Audit Plan had been completed and the plan for 2022-23 was well under-way with meetings with audit sponsors scheduled for the whole plan and field work on the learner journey in progress.
- 10.2 The committee noted the progress update and welcomed that internal audit was making good progress on the 2022-23 plan.

### **22/3/11 Internal Audit Review: Business Continuity**

- 11.1 The Internal Audit Senior Manager presented the report, commenting that this was an advisory review, including benchmarking against best practice as requested by the committee. The college had commissioned the report before finalising its updated Business

Continuity Policy and plan so that any findings could be incorporated into the new framework.

- 11.2 The committee considered the report asked if the Business Continuity Group had now been convened and its terms of reference. The CEP said that the group had met and was formulating draft terms of reference to confirm its remit and reporting in the governance structure. The remit of the Business Continuity Group did include responsibility for reviewing and monitoring the effectiveness of the Business Continuity and Major Incident Policy and Plans. The group also would ensure that the college maintained appropriate business impact assessments. The Major Incident Team would continue to be responsible for managing serious incidents with the potential to cause business disruption.
- 11.3 The committee received the report and welcomed the assurance on well-designed controls in the new business continuity framework and the ongoing work to build in further good practice from the lessons of the pandemic and the recommendations in the review

### **22/3/12 Internal Audit Review: Key Financial Controls, Accounts Receivable**

- 12.1 The Internal Audit Senior Manager presented the report, commenting that the main issues found related to records being kept on two different systems and the reconciliation between the finance management system and student data system. The opinion in the review was reasonable assurance with four medium priority recommendations and three low priorities.
- 12.2 Members considered the report, commenting that there seemed a lot of work to be done despite the reasonable assurance opinion. The EDF said that the report was a good piece of work, the IA team had made useful recommendations. Although student debt in year was small, this was an area where the college wanted to improve. The Finance Team had recruited a credit control specialist to take forward these and other process improvements.
- 12.3 The committee received the report and welcomed the reasonable assurance opinion and the additional assurance from the EDF of ongoing process improvement.

### **22/3/13 Internal Audit Review: Additional Learning Support**

- 13.1 The Internal Audit Senior Manager presented the report, commenting that the funding agency was scrutinising Additional Learning Support (ALS) claims closely. The Senior Manager reported that the review had found that a good framework and adequate processes in place for identifying and students who needed additional support and meeting those needs. However, the sampling exercise had found examples of non-compliance leading to three high priority recommendations.
- 13.2 The EDF said that the review and feedback had been useful to the college in testing processes and highlighting gaps in training for staff. All three high priority recommendations had been implemented and the improvements were having a positive impact on students.

13.3 The committee received the report.

#### **22/3/14 Internal Audit Review: ESFA Mock Funding Audit**

14.1 The Internal Audit Senior Manager presented the report, commenting that where issues were identified they related to evidence of work experience and supported learning. In some cases, students kept their own logbook of evidence rather than it appearing on their timetable. The EDSSI said that the work experience destination was not always known at enrolment and therefore it was difficult to timetable. The team were considering the feedback from the audit and looking at ways to ensure that all modes of recording work experience were available for audit but given the diversity of work placement and experience, it did need a flexible and responsive approach.

14.2 The committee received the report.

#### **22/3/15 Internal Audit Service annual report 2021-22**

15.1 The Internal Audit Senior Manager introducing the annual report, highlighting

- Some of the internal audit work in 2021-22 had been conducted remotely to manage pandemic risks. For 2022-23, RSM had adopted a business-as-usual model which used in person and online activities depending on effectiveness and efficiency
- based on the work throughout the 2021-22 plan, the overall opinion was that the college had an adequate and effective framework of risk management, governance and controls.
- The judgement for the effectiveness of risk management was based on the substantial assurance of the Internal Audit Review conducted in Spring 2022 and internal auditors' engagement with ARAC meetings throughout the year.
- The assurance on the adequacy and effectiveness of governance was based on the evidence of the internal audit reviews generally and attending meetings.
- RSM had achieved the key performance indicators agreed with the committee for 2021-22, it complied with internal audit standards and there were no conflicts of interest identified.

15.2 The committee received the report and welcomed the positive assurance it provided. The committee commented that members were ambitious to make progress to achieving the highest assurance rating in future.

#### **22/3/16 External Audit Progress Report**

16.1 The External Audit Partner gave a verbal update on progress on the auditing commenting

- Field work had been completed and a meeting was planned with the EDF and colleagues to resolve any queries
- **Pensions valuation** of the Local Government Pension Scheme (LGPS) in 2021-22 had increased so that the college's share of the fund was a substantial asset. The college would need to decide how to recognise this on the balance sheet as it was not an asset that the college could realise.

16.2 The committee considered the report and the main points discussed were as follows.

**Impact of LGPS valuation**, members asked about the potential impact of the 2021-22 valuation. The EDF said that as it was likely that the valuation would revert to a liability position next year as pension payments would increase by inflation in April 2023. Therefore, it seemed appropriate to adopt a break-even position for this year. The External Auditor said that actuaries are allowing member organisations to adopt an estimate based on likely pension increase and will provide a Pension Increase Order Report, at a cost, which would smooth out fluctuations for next year.

**ACTION** confirm with Chair of FEGP (Finance, Employment and General Purposes) their views on adopting a break-even position and/or commissioning a Pension Increase Order Report

EDF 16/11/22

**Accounting estimates**, it was noted that the Ney Report (2019) had recommended that governors should have the opportunity to challenge accounting estimates, members asked how and when this would happen. The EDF said that he was preparing a report explaining the basis of the accounting estimates in the financial statements, which would be presented at the joint meeting of ARAC and FEGP for the latter to approve. All governors had been invited to the joint meeting.

16.3 The committee received the report, welcomed the substantial progress made and requested that any concerns arising in the final stages of the external audit be raised with the Chair of ARAC as early as possible.

### 22/3/17 **Other External Assurance: Teachers' Pension Scheme End of Year Certificate 2021-22**

17.1 The External Auditor presented the report on the tests that had been conducted in accordance with Teachers Pension Scheme requirements for an end of year certificate. There were no significant exceptions or errors identified.

17.2 The committee received the report and welcomed the limited assurance provided by the certification process.

### 22/3/18 **ESFA Regularity Questionnaire 2021-22**

18.1 The Clerk presented the ESFA Regularity Self-Assessment Questionnaire. The main points discussed were as follows.

**Termination payments**, members asked how governors were assured about the regularity of the processes for agreeing any termination payments. The Clerk said that payments to staff other than senior post

holders were approved under the scheme of delegation in the financial regulations. The details of any approved termination payments were shared with the Chair of Governors so they could monitor that such payments were being made within the rules. The chair would be able to give assurance of this at the joint meeting.

**Governor expenses**, there had been an increase in the overall amount of expenses paid in 2021-22 with the return to in-person meetings and some governors travelling from a distance but it was still a small amount in the context of the work of the board. The clerk said that all claims had been within the limits delegated for sign-off by the Clerk and no claims had received which would require sign-off by the Chair of ARAC.

- 18.2 The committee recognised the significant amount of work that had been undertaken to complete the self-assessment, approved the draft and recommended signing to the Chair of Governors and Accounting Officer on behalf of Governing Body. The following action was also agreed.

Clerk 23/11/22

**ACTION** present a cover sheet with the Regularity SAQ to assist members in understanding the assurance they were receiving.

## **22/3/19 Audit and Risk Assurance Committee Annual Report 2021-22**

- 19.1 The Clerk presented the final draft of the ARAC Annual Report that had been prepared based on
- assurance received over the year including the IA Plan for 2021-22 which had been agreed in July 2021,
  - members' discussions about the committee self-assessment at the July meeting and
  - assurance from the draft Governance Annual Self-Assessment considered by Governing Body at its meeting in July 2022
  - the internal audit review reports and annual internal audit report received at this meeting.

- 19.2 The committee considered the report, and the main comments were as follows.

**Opinions**, in some places the report referred to "effective" arrangements and members agreed that this should be "adequate and effective."

**Workplan**, should include work done in July 2021 to prepare for the 2021-22 cycle and relevant work in 2022-23 to complete the cycle.

**Self-assessment against the AoC (Association of Colleges) Governance Code**, the analysis of compliance with the latest version of the AoC Code included some Red RAG rated statements and members asked about what action was proposed to extend compliance to these items. The Clerk said that all "must" statements were RAG rated green. Some new "should" statements were not yet fully evidenced. So that it did not become a tick box exercise, the Chair and Clerk were proposing to bring these for consideration at the next Governing Body strategy event so members could consider which good practice recommendations would have greatest impact, prioritise actions for these statements with appropriate deadlines.



- 19.3 The committee approved the Audit and Risk Assurance Annual Report 2021-22, subject to the changes requested in the meeting, above.

**22/3/20 Review of the meeting**

Members reviewed the meeting and thanked the EDF, EDSSI and Clerk for their support over 2021-22. The Chair also thanked Gwyn Arnold for her valuable contribution as a member in 2021-22 when the committee had needed her expertise.

**Membership**, the Chair reiterated the importance of appointing at least one new member and preferably two, having regard to the balance of male and female members on the committee and appointing a Vice Chair.

**ACTION**

**ARAC Membership**, raise with SRG Committee the need to appoint new members and a vice chair to ARAC. Clerk 2/11/22

**22/2/21 Date and time of next meetings**

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