



**AUDIT AND RISK ASSURANCE COMMITTEE
CONFIRMED MINUTES**

Date: 5 July 2023

Venue: Conference Room 2, City Campus

Clerk to the Corporation
Granville Road
Sheffield, S2 2RL
Tel: 0114 260 2620
Email alison.shillito@sheffcol.ac.uk

Present: Ian Falconer (Chair, Governor) by videoconference
Matt Ainsworth, Governor
Sol Miah, Governor
Saleem Rashid, Staff Governor
Paul Senior, Governor

In attendance: Angela Foulkes, Chief Executive and Principal
Martin Harrison, Executive Director Finance (EDF)
Andrew Hartley, Deputy Chief Executive and Executive Director Commercial and Operations (DCE)
Stuart McKay, External Audit Partner, Macintyre Hudson LLP (by videoconference)
Mark Pearson, Executive Director Strategy and Systems Improvement (ED SSI)
Alison Shillito, Governance Advisor and Clerk to the Governing Body (GAC)
Beth Smith, Executive Assistant (Note taker)
Lisa Smith, Risk Assurance Director, RSM

**Action
by whom by when**

23/2/1 Welcome, introduction and apologies

1.1 There were no apologies received and the meeting was quorate.

1.2 The Chair commented that Lisa Smith of RSM was attending the meeting in her new role as Internal Audit Partner. The committee congratulated Lisa on her promotion.

1.3 The committee noted that Solat Chaudhry had resigned from Governing Body so the committee had a vacancy.

GAC 4/10/23

ACTION: address the vacancy on ARAC

1.4 The Chair commented that the main focus of the meeting was on considering the assurance received from external and internal sources for 2022-23, agreeing the assurance plans for 2023-24 and determining what further assurance might be required in the context of the college's current risk profile.

23/2/2 Declaration of interest

- 2.1 The committee noted the standing interests of
- Saleem Rashid as a member of college staff.
 - Paul Senior as a trustee of Sheffield Wednesday Football Club Community Programme, a college subcontractor in relation to the external assurance report on subcontracting.

There was no action required on any agenda items.

23/2/3 Minutes of the last meeting

- 3.1 The committee confirmed the minutes of the meeting held on 22 March 2023, subject to adding Stuart McKay to the list of those present.

23/2/4 Matters Arising and Action Record

- 4.1 The committee agreed that all relevant matters arising had been added to the Action Record from the minutes of the last meeting and considered the matters arising that were not covered elsewhere on the agenda.

Minute 21/4/12.3 refers: Cladding

- 4.2 The Governance Advisor and Clerk (GAC) updated the committee on progress of the assessment of the fire risk of external walls of college buildings above 18m. The surveyor had completed the desk research and was planning to confirm the information in the specifications by removing tiles to check the materials and construction of the cladding system.
- 4.3 **ACTION:** the committee requested that the report be brought to ARAC for assurance purposes. Finance, Employment and General Purposes Committee (FEGP) would be responsible for oversight of the college's response to any recommendations. DCE 4/10/23
- 4.4 **Minute 23/1/9.3i: conflicts of interest**
- The GAC reported that notes and examples for completing the new disclosure forms had been sent to members. A short update on disclosing and managing conflicts of interest would be included in the governor training plan for 2023-24. The GAC was also liaising with Northern College to arrange a joint development session for ARAC members as the last formal workshop was in September 2021.
- 4.5 The committee supported the proposal for a Board development workshop to update on sector risks and best practice following reclassification. It was agreed that this action would continue in progress until completed in the Autumn Term. GAC 13/9/23

- 4.6 The committee welcomed the update, noted the assurance that the college is addressing actions raised by the committee and approved removal of completed actions from the Action Record.

23/2/5 Strategic Risk Register 2022-23 update

5.1 Changes to the Strategic Risk Register (SRR)

Martin Harrison, Executive Director Finance (EDF) introduced the report, which included the full Strategic Risk Register (SRR) and Risk Assurance Summary as well as details of the changes since the last meeting. The changes were a result of the regular review of strategic risks by risk owners and consideration by the Executive Leadership Team (ELT) in business review and team meetings.

- 5.2 The committee considered the changes and the main points raised in the discussion were as follows.

Fraud (Risk 68), the committee asked why the inherent score for the risk was increasing. The Executive Director Finance (EDF) said that the team had been considering the risks around fraud, particularly fraud due to cybercrime. The government's latest Cyber Security Breaches Survey showed colleges to be at high risk of attack, which can manifest as fraud. The additional mitigation actions included more staff training to prevent and report attempted fraud from phishing emails and cyber security issues.

Holiday pay (Risk 80): although the risk of legal action may be declining as time passes, the college assesses that the inherent risk is increasing because of the uncertainty and potential inequality created by recent case law on holiday pay for workers who only work part of the year. The government is currently consulting on changes to the law to resolve the uncertainty.

Access to long term credit (Risk 29): regarding a loan maturing in August 2023, the committee asked if the college could access an alternative loan facility from ESFA. The EDF said that he had pursued this, but there seemed to be a reluctance given the college's strong financial position it seemed likely that ESFA routes would be short term for 12-24 months. Prior to reclassification, the college had planned to renew the loan for a further three years so it could invest reserves in new facilities. Amortising the loan in 12 months would not be in the college's best interests as there was potential for a future breach of covenants. FEGP had therefore recommended approval to Governing Body that the college pay back this loan in July 2023. This repayment would not affect covenant compliance for 2022-23.

- 5.3 The committee also received the Risk Assurance Summary and agreed that it was a fair representation of the college's overall risk profile with the risks around financial sustainability and Estates increasing and other risks being stable or falling.
- 5.4 The committee noted the changes to Strategic Risk Register. The committee agreed that it was satisfied that its assurance plan for 2022-

23 continued to be appropriate to the risks. The risk profile would be considered further in the context of planning assurance for 2023-24.

- 5.5 The committee further noted that in 2023-24, the EDF would be leading on risk management for the Executive Leadership Team.

23/2/6 Internal Audit and External Audit update: recommendations and management actions, progress report

- 6.1 The EDF presented the report, commenting that further actions were on schedule to be completed by the end of July.
- 6.2 The committee discussed the extensions to deadlines requested and noted that the actions were classed as low priority actions. The committee noted that External Audit recommendation to report to ARAC on the college's approach to sampling and completing data quality checks had become more important with changes to audit standards. For the controls-based audit, the college would need to show evidence that it was implementing regular and robust controls of the ILR, otherwise the audit standards required the External Auditor to conduct extensive testing.
- 6.3 The committee noted the report, stressed the importance of completing as many of the actions as possible by the end of the college year and that the External Audit recommendations be prioritised for completion by 31/7/2023. The committee approved the removal of completed actions and the revised date for completion of six actions, as requested in the report.

23/2/7 Post-16 Audit Code of Practice 2022-23

- 7.1 The GAC presented a summary of the changes to the Audit Code of Practice 2022-23, which had been updated for the impact of reclassification of FE colleges as public sector.
- 7.2 The committee considered the report and the main issue discussed was how to ensure that Governing Body, collectively, understood and could demonstrate its engagement with the additional requirements of reclassification set out in 'Managing Public Money', the 'Dear Accounting Officer' letter of 29 November 2022 and the Education and Skills Funding Agency (ESFA) Bite Sized Guides.
- 7.3 The committee received the report and agreed its continued commitment to including a staff governor in the membership of ARAC. It was also suggested that the GAC should seek to recruit a student governor to the committee, as the role had been vacant recently. It was further noted that it would be useful to address gender balance on the committee. The GAC said that SRG Committee was committed to addressing gender balance on GB as a whole as currently it was below the FTSE average of 40% women on boards.

ACTIONS include slides on preparation for and impact of reclassification in the papers for the September Governor Strategy Event.	GAC	13/9/23
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Invite one of the student governors to join ARAC	GAC	1/8/23
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23/2/8 Internal Audit Plan 2023-2024

8.1 The Internal Audit Partner introduced the proposed Internal Audit Plan for 2023-24, 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 prioritising certain risks 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.

8.2 The committee received the plan and the main points from the discussion were as follows:

Estates and environmental risks had been noted earlier in the meeting as areas of increasing risk for the college. Members asked where GB would obtain assurance for these risks. The IA Partner said that the current year’s plan had included carbon reporting and estates planned maintenance with reports due at the October 2023 meeting. In addition there were regular management monitoring reports to FEGP and the Estates Strategy Working Group so governors received regular internal assurance. The committee was satisfied with the sources of assurance for these risks.

Cyber risks were increasing for the whole sector, members asked if this should be added to the IA Plan for 2023-24. The EDF said that in the last three years, there had been several IA reviews related to cyber and IT risks. In 2023-24, the college would be applying to renew its Cyber Essentials Plus accreditation which included an independent review of compliance with the Cyber Essentials standards. It was agreed that the outputs of the accreditation process should be presented to the committee for assurance.

Financial sustainability risks, the External Auditor confirmed that they were satisfied that the plan included funding compliance and key financial controls reviews.

8.3 The committee approved the 2023-24 Internal Audit Plan, commenting that the plan addressed the college’s risks. The committee would keep under review emerging risks and any changes to the college’s assurance needs.

ACTIONS

Include in the next iteration of the Risk Assurance Summary, the sources of assurance for 2023-24	GAC	4/10/23
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Bring to the committee, the independent review report from the Cyber Essentials Plus process.	GAC	3/7/24
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23/2/9 External Audit Strategy for year ending 31 July 2023 report

- 9.1 Stuart McKay, MHA Financial Statements' Audit Partner, introduced the strategy for external audit of the corporation financial statements for year-ending 31 July 2023.

The committee considered the report and noted the following.

Independence the firm's ethics department had confirmed that there were no matters that might compromise the independence of the audit. The additional limited assurance tasks that MHA would conduct would not affect their independence to conduct the financial statements' audit.

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.

Pension risk, the rise in corporate bond rates was likely to have an impact on the valuation of the college's assets in the South Yorkshire Local Government Scheme. The college would need to decide how to show this on its balance sheet.

Reclassification, the audit would have regard to whether the college was complying with Managing Public Money including complying with the duty to obtain Treasury/DfE approval for certain transactions and disclosing relevant transactions.

Controls based approach, the strategy relied on a controls based approach, however, should the external auditor find insufficient evidence of the effective implementation of a control then it would be necessary to test in line with the latest audit standards. The agreed fee did not include the cost of additional sampling and testing.

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

- 9.2 The committee approved the External Audit Strategy for the audit of the 2022-23 financial statements and recommended approval to Governing Body of the outline fees. It was agreed that the EDF would have authority to approve the final invoices. The committee looked forward to receiving a progress update at its October meeting.

23/2/10 Internal Audit: Progress Report 2022-23

- 10.1 The Internal Audit Partner presented the progress report. It was reported that field work on the remaining audits was underway and all work was due to be completed by the end of the college year. Four IA reviews were presented to the meeting. All reports had been available to members as soon as they had been finalised.
- 10.2 The committee noted the progress update and that there were no recommendations for changes to the 2022-2023 plan.

23/2/11 Internal Audit Review: Exam Access Arrangements

- 11.1 The Internal Audit Partner presented the report, commenting that the review had been selected because some colleges had reported process issues in organising full scale formal examinations after two years of adjusted assessment arrangements for national examinations.
- 11.2 A member asked if the IA team could recommend any best practice from other colleges where they had performed a similar audit. The IA Partner said that the best performing colleges had effective systems in place to ensure all students were screened at the start of their programme and high awareness amongst staff of how to refer students who might appear to be underperforming even though they had not disclosed a disability or learning difficulty. The substantial assurance opinion reflected the college's arrangements for screening at enrolment for all students enrolling on GCSE maths and English programmes as well as all apprentices.
- 11.3 The committee welcomed the substantial assurance and the one low priority recommendation to formally monitor trends in adjustments granted to help plan for future resource needs, which was being actioned by the college.

23/2/12 Internal Audit Review: Performance Management

- 12.1 The Internal Audit Partner presented the report, commenting that the review had found appropriately designed and well-managed controls in place. The review had identified three low priority recommendations which had all been accepted and action agreed with management.
- 12.2 The committee welcomed the substantial assurance and the assurance that the number of formal cases had been lower than previously reported to FEGP prior to a correction of the data in November 2022.

23/2/13 Internal Audit Review: Modern Day Slavery

- 13.1 The Internal Audit Partner presented the advisory report commenting that the legislation was relatively new. Many organisations were still in the process of assessing their supply chains to did not include suppliers with associations to people trafficking and modern slavery. The review confirmed that the college had a clear understanding of the legislation and was implementing a plan to assess its existing supplier base starting with its largest suppliers. The main recommendations for improving practice including strengthening the risk register for Modern Slavery, wider staff training, developing a scheme of supplier sanctions and more frequent formal reporting to governors.
- 13.2 The committee received the report and the main points discussed were training for staff and if/when training would be extended to governors. The EDF said that the college was developing an appropriate mandatory training module for all staff on being aware of

the risks of modern day slavery when buying goods or services and the steps they needed to take to manage the risk. This training could be rolled out to governors if deemed appropriate. FEGP members had been asked for their views on the frequency of reporting.

23/2/14 Internal Audit Review: Key Financial Controls, Creditors, Procurement and Value for Money

14.1 The Internal Audit Partner presented the report, commenting that the review had found good control design and that the controls were being implemented in practice in place. There were no weaknesses or recommendations identified. The review provided assurance that the college was implementing its rules on multiple quotes or retendering supply to secure value for money, in line with the limits in the Financial Regulations.

14.2 The committee welcomed the substantial assurance.

23/2/15 Control Environment for an outstanding college: Attendance data quality improvement project

15.1 Paul Warren, Head of IT and Paul Mann, Head of Data Services & Exams presented a report on a project to improve the accuracy and timeliness of student attendance data. The project involved piloting relatively cheap 'tap and swipe' devices to allow students to register their attendance on entry into a class. Tapping into the class, would save the lecturer's time in marking the register and would provide real time data on who attended and when they arrived. That data would be available to student mentors

15.2 Members considered the report and the main issues discussed were as follows.

Safeguards against abuse, it was noted that the system used the same ID card that students needed to enter college premises. The member of staff in charge of the class would still manage registration so students would not be the tap/swipe multiple ID cards or register on behalf of another student as this would be spotted by the lecturer holding the device. The attendance policy would be updated to include reference to action taken for misuse of student ID cards.

Testing, the pilot had included a relatively small sample of workshops and classes but had been used successfully for the exams summer series. Students had been able to find out their exam room location and desk number by tapping their card. This had made exam registration calmer and smoother for staff and students, which was confirmed by the staff member.

Student benefits, manual registers had an inbuilt time delay before staff could take action on the absence. Auto-registration would give instantaneous data to mentors and tutors so they could contact students about punctuality or missed sessions while the session was in progress. In some cases, students were in the building but had not

arrived in class and they could be located and directed to the session. Noticing and acting on absence promptly was a proven strategy to increase engagement and attendance before it became a problem.

Roll-out, it was noted that the college marked over 99,000 registers per year so members asked about the implementation issues of giving every teacher a device and training them how to use it. The Head of IT said that the college had already bought sufficient devices. The use of handheld devices meant that the college did not have to finance building works to fit out rooms. The main challenge would be ensuring every member of teaching staff understood how to use the auto-registration equipment and carried a device. The savings in time spent completing and uploading manual registration data provided a clear incentive for staff buy-in.

- 15.3 The committee noted the report and welcomed the assurance provided on continuous improvement of business processes and it was hoped that the roll-out would be timesaving for staff as well as having a positive action on students. It was further noted that the original plan for self-improvement reviews had been driven by the RSM review of college best practice. The committee looked forward to receiving further reviews in 2023-24.

ACTION: develop a plan and timetable for continuous service improvement projects

ELT

4/10/23

23/2/16 Data Protection Officer's annual report 2022-23

- 16.1 The committee received the report and noted that the demand from current and former staff for Data Subject Access Requests had increased. It was difficult to comment on trends as the numbers of such requests remained relatively small. The committee also noted and welcomed that the number of data breach reports had reduced in 2022-23 compared to the previous year with no breaches being assessed as requiring referral to the Information Commissioner's Office.
- 16.2 The committee asked if there were any common themes in the high number of data subject access requests received in one month. The GAC commented that requesters did not have to give a reason for their request for personal data. The DPO was to be independent of any other internal processes and deliver to the requester their personal data in line with their request, in line with the Data Protection Act 2018.
- 16.3 The committee received the report and welcomed that assurance that the college was maintaining adequate and effective data protection policies and procedures.

23/2/17 Fraud and corruption annual report 2022-23

- 17.1 The committee received the report noting that the college was maintaining the fraud log, which included one "phishing" attempt and

incorrect charging to a corporate credit card (the charge was legitimate but the college had not authorised use of the card). No charge was made and the college applied for the card to be reissued.

- 17.2 Members noted positive assurance that the college's procedures for and staff training on fraud, bribery and awareness of the dangers of 'phishing' emails were adequate and effective.

23/2/17 Whistleblowing incident log 2022-23 and Whistleblowing Policy

- 17.1 The GAC presented the annual report and periodic review of the Whistleblowing Policy. The log included two disclosures since the last meeting, one had been declined as a whistleblowing disclosure and the anonymous emailer had been advised to raise the issue through the college's Assessment Malpractice and Maladministration Procedure. The GAC was awaiting confirmation and further information from the person who had made the other disclosure before determining if the disclosure is within the scope of the Whistleblowing Policy.
- 17.2 Regarding the periodic review of the Whistleblowing Policy, the GAC recommended that there had been no external changes which would prompt a change to the policy. There was an ongoing government review of the UK whistleblowing framework which might recommend changes to corporate policies in 2023-24.
- 17.3 The committee received assurance that the college was implementing the Whistleblowing Policy appropriately. The committee approved that the current policy may continue for 2023-24 unchanged with a further review in 2023-24 following the outcome of the Department for Business and Trade review of the UK whistleblowing framework.

23/2/18 Internal Assurance reports: Gifts & hospitality annual report 2022-23

- 18.1 The committee received the report, noting the return for 2022-23 to date. The Chair commented that he had attended an event as a representative of a different charitable trust. The GAC confirmed that the college's rules required governors to disclose gifts and hospitality received in connection to their role as a college governor. Hospitality received connected to another charity should be disclosed in accordance with that charity's rules on accepting gifts and hospitality.

23/2/19 Other External Assurance

- 19.1 The committee received for assurance:

Subcontracting Controls Assurance 2022-23

The committee noted that the college had completed the new subcontracting controls assurance exercise and had submitted the certificate to the ESFA. This was a limited assurance review of particular controls in line with the ESFA requirements in the Subcontracting Standard. The review had made no improvement

recommendations. The college awaited the ESFA's response on the award of the subcontracting standard kitemark.

Article 125 verification of Adult Education Budget.

The Article 125 verification exercise provided limited assurance about the accuracy of the college's data in respect of the funding stream sampled. Again, there had been no recommendations for further action.

19.2 The committee noted the positive assurance provided by the reports.

23/2/20 Committee Self-assessment 2022-23

20.1 The GAC 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 2022-23, 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 2023-24.

Membership the level of attendance had been excellent (94%), there was a good mix of skills but with the committee needed to fill the vacancy that had arisen since the last meeting.

Committee information, members agreed that report authors had met the committee's needs for timely and accurate information. The use of TeamEngine to store papers once they were available had meant that members had more time to read Internal Audit Reviews. There was scope to increase the use of TeamEngine so members could raise, share and resolve comments prior to the meeting and some training in this aspect would be useful for all governors.

ACTION: arrange a TeamEngine refresher for governors

GAC 13/9/23

Control processes, the committee had received substantial assurance opinions for a number of Internal Audit Reviews and other external assurance this year. The continued commitment to internal assurance reports and self-assessment processes indicated that college managers had the capacity and appetite to continue to enhance the quality of the controls framework through internally driven quality assurance.

Assurance: the committee agreed that it did not need to commission further work this year.

Workplan for 2023-24, the proposed workplan was approved. It was suggested that the committee's improvement priorities for 2023-24 should be:

- sustainability and the green curriculum
- continuing to develop the assurance summary and promote its use by other members of GB
- continuing to champion the aspiration to develop a sector leading control environment, that was fit for the college's purposes as a great college.

23/2/21 Review of meeting and closing remarks

21.1 The members commented on the conduct and impact of the meeting as follows:

- The agenda had covered a broad range of the college's business. The four Internal Audit reports had provided substantial assurance on a number of controls that were relevant to the experience of staff and students as well as financial sustainability. The quality improvement project had the potential to have a significant positive impact on reducing staff workload and re-engaging students who were at risk of becoming disengaged from their studies. ARAC commissioning and receiving assurance on these matters had raised improvement actions and encouraged the college to be ambitious in pursuing excellence in service quality and value for money for its students and stakeholders.
- The Chair's experience of using the Teams 'Neat board' to chair the meeting by videoconference had been mixed. The interface moved the view between different speakers making it more interactive but seemed to be less stable than using the Owl Cam over Zoom. This might have been due to the Chair's broadband connection.
- Members attending the meeting in person commented that the conference room had better acoustics and was a more appropriate size for an ARAC meeting compared to the boardroom.

23/2/22 Date and time of next meeting

04 October 2023, 08:30 – 11.00 in the New Boardroom, City Campus

22 Nov 2023, 08:30 – 11.00 in the New Boardroom, City Campus

20 Mar 2024, 08:30 – 11.00 in the New Boardroom, City Campus

3 July 2024, 08:30 – 11.00 in the New Boardroom, City Campus