

Date: 25 November 2020 09.30 – 10.40
Venue: The Boardroom, City Campus, the Sheffield College
 Clerk to the Corporation
 Granville Road
 Sheffield, S2 2RL
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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
 Sol Miah, governor
 John Mothersole, governor
 John Timms, governor

FINANCE, EMPLOYMENT AND GENERAL PURPOSES COMMITTEE (FEGP)
 (09.30 -10.00 am)
 Stephan Hollingshead (Chair of FEGP)
 Holly Anderson, staff governor
 Peter Brooks, governor
 Angela Foulkes, Chief Executive and Principal (CEP) and governor
 Beri Hare, governor
 Seb Schmoller, governor and Chair of Governing Body.

In attendance Rob Barnett, Head of Internal Audit, RSM
 Debra Chamberlain, Financial Statements' Auditor KPMG
 Andrew Hartley, Executive Director of Commercial and Operations (until 10.00)
 Katy Matkin, IA Manager, RSM
 Mark Pearson, Director of Strategy and Systems Improvement
 Kate Platts, Executive Director of Finance and Resources (EDFR)
 Paul Simpson, Executive Director of People (until 10.00)
 Alison Shillito, Clerk to the Corporation

By whom **By when**

20/4/1 Draft Report of the Members of the Corporation and Financial Statements and supporting documents

- 1.1 At 0930 members of Audit and Risk Assurance Committee (ARAC), except Shelley Hemsley and Saleem Rashid, who had given apologies for absence, 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.
- 1.2 The Chair reminded the members of FEGP and ARAC of
 - i) The purpose of the joint meeting:
 - a) to satisfy ourselves that the draft Report and Accounts for 2019/20 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) to satisfy ourselves that we can continue to support the College subsidiary companies going forward;
 - c) to satisfy ourselves 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 by the Chair of Governors and the CEP (as the College's Accounting Officer) on behalf of the Governing Body.
- 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 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) 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.

20/4/2 Final Draft Report of the Members of the Corporation and Financial Statements for the 12 month period from 1 August 2019 to 31 July 2020

- 2.1 The EDFR presented a covering report on the Financial Statements, drawing members' attention to the table showing the reconciliation between the P12 out-turn data, previously presented to FEGP, and the data in the accounts. The Chair invited members' questions and comments on the draft.
- 2.2 Members discussed the Strategic Report and the main comments and queries were:
 - Related parties:** it was noted that the CEP had recently joined the Sheffield Hallam University Board of Governors and this should be included in the relevant section of the report;
 - Impact of COVID-19:** the College had coped well with the challenges of the pandemic but the report should not underplay the impact on learners and staff including the delays to apprentices completing their course, disruption of students' learning and assessment and the impact on staff, particularly those who had been furloughed under the Job Retention Scheme. The impact on apprentice recruitment, retention and completion rates would continue to be felt in 2020/21.
 - FE Commissioners DA report:** this occurred in 2020/21 but prior to signing of the accounts. It was noted that the report is supportive of the College's achievements. If possible, officers should update the relevant section (p. 15) to reflect this.
- 2.3 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.

- 2.4 On the basis of the discussion, FEGP Committee and ARAC agreed to recommend approval to Governing Body of the Statement of Responsibilities of Members of the Corporation at page 23 of the draft report.

2.5 **Going Concern**

The Committee discussed the proposition in the draft report that the Corporation is a going concern. Members supported that the College is maintaining much of its teaching, learning and business support functions remotely. As above, members recognised that the COVID-19 pandemic has had an impact on some College activities. Nevertheless, the College's strong cash balances and proven capacity to maintain remote working supported the proposition that the College is a going concern for the next 12 months. In addition, the COVID-19 governance arrangements had demonstrated that the College has a plan and process for identifying new risks and managing these.

- 2.6 The EDFR said that senior managers had discussed with the College's bankers, the College's plans, cash flow, and the loans which fall due for repayment in December 2021. Bankers are satisfied that cash flow forecasts are realistic, the College is on course to comply with its loan covenants and they are supportive of refinancing the loans should this be the College's preferred option.
- 2.7 FEGP Committee and ARAC supported the proposition that the College is a Going Concern and it is right and proper to prepare the accounts on that basis.

2.8 **Statement of Responsibilities of Members of Corporation**

FEGP and ARAC agreed to advise the GB that the statement of members' responsibilities is accurate.

2.9 **Financial Statements including notes to accounts**

FEGP Committee approved the figures in the Financial Statements.

20/4/3 Year End Report of the Financial Statements' Auditors

- 3.1 The Chair invited the Financial Statements' Auditor to present the Year-End Report on the audit and respond to members' questions and comments. ARAC would consider the management and control issues raised later in its meeting.
- 3.2 The Engagement Lead for KPMG presented the report, highlighting the findings as follows:
- i) **Local government pension scheme:** pension liability is one of the standard risks in the audit plan. Auditors have tested the college's forecasts and the valuations given by the actuaries. These are within KPMG's acceptable range. The report makes a recommendation for ARAC to consider.
 - ii) **Revenue recognition:** auditors are required to assess the risk of fraud around revenue recognition e.g. to confirm that the statement of revenue in the accounts is accurate and allocated to the correct financial year. The auditors had carried

out checks to confirm this and there were no issues found;

- iii) **Management over-ride of controls:** auditors are required to assess the fraud risks around management over-ride of controls. Auditors tested journals, accounting policies, assumptions and methods used to prepare accounting estimates and these were all clear. The report makes a recommendation for ARAC to consider.
 - iv) **Additional reporting for Office for Students (OfS):** the audit had planned to include scrutiny of the College's expenditure against its Access and Participation Plan (APP). However, the OfS had issued guidance limiting the APP disclosure to the level of materiality for the audit. The College's total expenditure against the APP was below the level of materiality and therefore no disclosure was made;
 - v) **Going Concern:** auditors confirmed that the College was compliant with its loan covenants as at 31 July 2020. The audit started from the premise that the impact of COVID-19 presents a material uncertainty for continued solvency. The auditors accept that ESFA lagged funding gives FE colleges some certainty about their ESFA grant income stream. Work was ongoing on sensitivity testing the impact of potential reductions in income on the College's cash position and its ability to continue to meet loan covenants to December 2021. The College's strong cash position and the testing so far had not raised issues of material uncertainty. Auditors had still to check the assumptions via the KPMG review panel, which would happen close to the signing date.
 - vi) **Subsidiary companies** – work was ongoing to finalise the subsidiary company accounts for sign-off on 9 December at the company Annual General Meetings.
- 3.3 The Committees received the report. The Committees noted that the audit had been completed in line with the audit plan and agreed that the proposed opinions were appropriate.
- 3.4 The Committees welcomed the assurance provided by the proposed audit opinions on the College and its subsidiary companies including that there had been no impropriety issues and no medium or high risk recommendations for internal control.
- 3.5 On the basis of the discussion of the Financial Statements' Auditors report, the FEGP Committee and ARAC advised the Governing Body:
- that the Accounts and Notes to Accounts on pp 35-64 were accurate and might be adopted by the Board;
 - that the FEGP Committee had agreed the draft Report (subject to any further post balance sheet events) and commended it for adoption by the Governing Body;
 - that the Statement of Responsibilities was accurate and the Governing Body might approve the statement and authorise the Chair of Governors to sign the statement on behalf of the Corporation for inclusion in the Financial Statements.
 - that the College continued to be a going concern.

20/4/4 Letter of support for Sparks Solutions Limited (8857469)

- 4.1 Angela Foulkes, as a Director of the company was conflicted for this item and therefore did not participate in the discussion and was not included in the FEGP Committee quorum.
- 4.2 The Clerk introduced the letter of support that the Financial Statements' Auditors had requested for Sparks Solutions Limited (8857469).
- 4.3 The Committees received the proposed letter of support for Sparks Solutions Limited. It was noted that in their capacity as trustees for an exempt charity, governors should have due regard to their obligations under charity law. The Committees noted:
 - that all three subsidiary companies reported regularly to FEGP in 2019/20 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 represent good value for money for the College compared to other means of sourcing the services;
 - a letter of support was required for Sparks Solutions Limited as it carried forward a debt to the College from a previous trading activity that had ceased;
 - the provision of the letter was not a matter requiring external professional advice.
- 4.4 Having had due regard to the Charity Commission guidance on such support, the FEGP Committee advised Governing Body to continue to support of the subsidiary companies for 2020/21 and at least until 31 December 2021 and advised the Chair of Governors to take Chair's Action to sign the letter of support for Sparks Solutions Limited. The Corporation should also confirm support for Sparks Managed Service Limited and Sparks Teaching Services Limited should this be reasonably required by auditors.

[Post-meeting note: in completing the audit of the subsidiary companies, KPMG requested letters of support for Sparks Managed Service Limited and Sparks Teaching Services Limited and the Chair of the Governing Body took action to provide the letters.]

20/4/5 Regularity Self-assessment Questionnaire update and Reporting Accountant's Report on Regularity

- 5.1 The Clerk presented the Regularity Self-Assessment Questionnaire. It was noted that, since the draft had been considered by ARAC at its meeting on 21 October 2020, it had been updated to include the assurances received at that meeting.
- 5.2 The Financial Statements Auditor, as the reporting accountant for regularity, commented that auditors had discussed regularity in detail. The report commented on the high level of cash held on the premises at the year-end. The EDFR said that this had been exceptional and was due cash collections being disrupted during COVID-19 restrictions. The cash had been held securely in

compliance with the College's insurance requirements and had been banked since end of year. The auditor confirmed that this was a minor issue and the audit had resulted in a clean audit opinion for regularity.

- 5.3 Both committees welcomed the assurance provided by the reporting account's regularity opinion. 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 Corporation.

20/4/6 Management representation letter

- 6.1 The Chair introduced the management representation letter explaining its purpose and the representations sought by the Financial Statements' Auditor.
- 6.2 On the basis of 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 are 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 the Governing Body to authorise the Chair of Governors and CEP to sign this on behalf of the Board.

20/4/7 Concluding remarks

The Committees recorded their thanks to the EDFR and her team for preparation of the financial statements and the team and auditors on completion of the audit process.

The joint meeting concluded at 10.00 am at which point FEGP Committee members, Andrew Hartley and Paul Simpson left the meeting.

20/4/8 Welcome, introductions, apologies and quorum

The Committee noted that apologies for absence had been received from Shelley Hemsley and Saleem Rashid. The meeting was quorate.

20/4/9 Declaration of interest

- 9.1 The standing declarations of Kate Platts, Angela Foulkes and other staff of the college in attendance were noted. No action was required for any items.

20/4/10 Minutes of the meeting held on 21 October 2020

- 10.1 The Committee approved the minutes of the meeting held on 21 October 2020 as a true record.

20/4/11 Matters arising and action record

11.1 The Clerk presented the action tracker. A number of the actions were connected to items included on the agenda and presented for final approval. The Committee agreed that the following should be marked as “complete”

- Minute reference 20/3/7.3: IA Annual Report, the IA service had included an opinion in the updated final report;
- Minute reference 20/3/9.1: External Audit recommendations and management actions: some deadlines were extended and it was agreed that completion of actions would be monitored via the EA recommendations tracker;
- Minute ref 20/3/17.2: draft ARAC Annual Report: the updates had been made;
- Minute ref 20/3/12.2: metrics for finalising IA reports: the EDFR reported that she had agreed with RSM, that each IA Review would have its own deadline set for return of draft reports and this would be written into the Scope. The date would align to the next meeting of the Executive Leadership Team.

The Committee agreed that the action record included all matters arising from the October meeting. The Committee noted the report and approved the removal of the completed items including those agreed as complete in the meeting, as above.

20/4/12 External Audit update, recommendations, management actions and progress

12.1 Auditor Independence

The Committee approved the additional work by the External Auditors and agreed that it was satisfied with KPMG’s independence to perform the duties of External Auditor.

12.2 Audit Fees

The Committee noted that there had been delays and also some savings due to completing the audit remotely. The Committee deferred consideration of the fees for the 2019/20 audit until after the opinions were issued and all outstanding matters resolved, and authorised the Chief Executive and Principal to approve the final invoice.

12.3 Outstanding work

The Audit Engagement Lead reported that the work on the audit of the subsidiary companies’ accounts was still ongoing. 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.

12.4 Audit recommendations outstanding from 2018/19 FS audit

The Committee noted that it had considered the reasons for the delays in completing these recommendations and agreed extensions to the deadlines to July 2021.

12.5 Audit recommendations from 2019/20 FS audit

The Committee noted that the draft report included two medium risk and two low risk recommendations. The Committee requested that these control recommendations be added to the External Audit recommendations action tracker.

12.6 On the basis of the discussion the Committee agreed that:

- the External Auditor remains independent and is in a position to issue opinion;
- the External Auditor is nearing completion of the 2019/20 audit and the work is in accordance with agreed audit plan;
- the proposed opinions are appropriate;
- the Committee notes the proposed fees and authorises the CEP to finalise the exact amount with the firm once the audit is complete;
- welcomed the assurance provided in the draft audit report that there are no impropriety issues and no significant deficiencies in internal control;

- **ACTIONS**

- | | | |
|--|-----|----------|
| ○ the control comments in the findings section of the report be noted and monitored to check compliance; | EDF | 3.3.2021 |
| ○ the recommendations identified in the report be added to the Management Review of External Audit Recommendations with an update on progress at the next meeting. | EDF | 3.3.2021 |

20/4/13 Strategic Risk Register 2020-21 Update

13.1 The Executive Director of Strategy and Systems Improvement (EDSSI) introduced the updated Strategic Risk Register.

13.2 The Committee considered the latest changes to the Strategic Risk Register and its impact on the assurance plan as follows:

NHS Apprentices: members noted a new emerging risk related to COVID-19, NHS apprentices being moved to a break in learning due to apprentices being redeployed to other roles and working patterns to support service delivery with increasing COVID-19 hospital cases. College managers are liaising closely with the employers to ensure support is in place for apprentices to re-start learning as soon as practicable.

Operational risks: business reviews include discussion of operational risks to enable the Executive Leadership Team (ELT) to identify any cross-college themes that are emerging and may have a strategic impact.

13.3 The Committee agreed that senior managers are continuing to identify and manage the College's strategic risks appropriately. The Committee noted there were no changes to the Strategic Risk Register, and agreed that:

- the report did not prompt members to seek to commission any new assurance activities.
- members were satisfied that the emerging operational risks were being kept under review appropriately and

- the report enabled the Committee to provide strong assurance to the board that Risk Management Policy and practice are well-embedded in the College's operations to secure sustainability and the interests of staff and learners.

20/4/14 Management review of IA recommendations

- 14.1 The EDFR presented the report, which noted that, since the last meeting, sixteen actions had been completed. Five actions had not been completed in line with the original deadlines, the delays were mainly due to it taking longer to recruit and train new staff during remote working.
- 14.2 The Committee received the report, agreed the five extensions to deadlines and that one action be closed. Members warmly welcomed the progress that action owners had made to complete the actions that had been achieved in spite of remote working.

20/4/15 Internal Audit Progress Report 2020/21

- 15.1 The Internal Audit Manager, RSM, presented the report including:
- RSM have agreed the scope for all 2020/21 reviews with managers, with the exception of Commercial Operations, as below;
 - The two days allocated for an advisory review of Individualised Learner Record (ILR) would be used for a development engagement with the MIS team to enable them to understand the assurance process. This would support staff taking on new roles as part of changes to the MIS team structure. IA manager agreed to report on the learning points generated by the engagement;
 - It was also noted that during scoping discussions for the Commercial Operations audit, senior managers and auditors had agreed that the proposed area was not appropriate for review. Managers recommended that the time allocated for this audit be added to the contingency allocation and used for a different area to be identified;
 - The chair thanked RSM for the additional briefing provided to members on RSM's Business Continuity Planning for COVID-19 and how it was adapting its service to protect staff and client staff.
- 15.2 The Committee received the report and approved the changes to the 2020/21 IA plan above. It was agreed that the days originally allocated to the Commercial Operations IAR should be added to the contingency for 2020/21.

20/4/16 Internal Audit Annual Report 2019/20

- 16.1 The Internal Audit Manager, RSM, presented the revised IA Annual Report including the updates members requested at its last meeting:
- RSM had added the thematic controls table, which showed findings of non-compliance with controls were reducing in frequency This supported members' views that the compliance culture in the college was improving as new

policies became embedded;

- RSM had included the opinion on the Follow-up Audit that the College was making good progress on implementing IA recommendations.

16.2 Members considered the updated report as follows:

- i) As agreed on 21/10/2020, the IA opinion provided positive assurance that supported the ARAC Annual Report to the Governing Body and external stakeholders;
- ii) Members noted the independence of the IAS;
- iii) Members agreed that the IA Plan for 2019/20 had been completed satisfactorily.

16.3 The Committee agreed to adopt the annual report and was pleased to report to the Governing Body the positive assurance that it provided, which supported the Committee's opinion in its annual report to the board.

20/4/17 Audit and Risk Assurance Committee Annual Report 2019/20

17.1 The Committee received the updated report, noting that it had been reviewed at the meeting on 21 October and subsequently updated to reflect the assurance received at that meeting. Members commented that the Ofsted Interim Visit had given positive feedback on how the College had supported learners through the COVID-19 pandemic and therefore the opinion was no longer reserved on that point.

17.2 The Committee approved the report and commended it to the Governing Body subject to the correction to add John Mothersole to the membership from 5/2/2020.

20/4/18 Draft Report of the Members of the Corporation and Financial Statements 2019/20 (item 1 & app A)

18.1 Based on the findings of ARAC Annual Report 2019/20, confirmed by the Internal Audit Annual Report, the Committee agreed to recommend approval to the Governing Body of the Statement of Corporate Governance and Internal Control.

20/4/19 Review of meeting and closing remarks

19.1 Members noted that the ARAC Annual Report referred to "adequate and effective" frameworks and asked if ARAC should have ambitions for the College to move from effective to highly effective and what this might look like? The Chair suggested that this would be a useful discussion for a small group of people from professional services to consider in the context of a business improvement project once the College was spending less time managing the ongoing COVID-19 operations.

19.2 The Chair wished to place on record the Committee's thanks to the EDFR for her service to the College and the improvements she had made to the College's risk and control environment.

20/4/20 Date and time of next meetings

Wednesday 3 March 2021, 16.00 – 18.00