Date:	**26 May 2021**	Clerk to the Corporation Granville Road Sheffield, S2 2RL Tel: 0114 260 2620 Email alison.shillito@sheffcol.ac.uk
Venue:	**Zoom (Online Meeting) 16.00 – 18.00**	

Present:	Ian Falconer Shelley Hemsley Sol Miah John Timms

In attendance:	Rob Barnett, Internal Audit Manager, RSM Lisa Smith, Internal Audit Senior Manager, RSM James Boyle, Financial Statements' Audit Director KPMG (from 16.15) Salma Younis, Financial Statements' Senior Audit Manager KPMG (until 17.50) Angela Foulkes, Chief Executive and Principal (CEP) Martin Harrison, Executive Director Finance (EDF) Andrew Hartley, Executive Director Commercial and Operations (EDCO) Mark Pearson, Executive Director Strategy and Systems Improvement Alison Shillito, Governance Advisor and Clerk to the Governing Body

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**Action
by   by
whom   when**

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21/2/1   Welcome, introduction and apologies

1.1   The committee received apologies for absence from Matt Ainsworth and Saleem Rashid. It was noted that John Mothersole had become Chair of the Governing Body from 1 April 2021 and was therefore no longer a member of the committee. The meeting was quorate.

1.2   The Chair welcomed to the meeting James Boyle, Financial Statements' Audit Director, KPMG and Andrew Hartley, Executive Director Commercial and Operations (EDCO). He also congratulated Martin Harrison on being appointed to the permanent role of Executive Director of Finance (EDF).

1.3   The Chair reminded members to focus on the college's main risks, how the board was securing assurance and retaining a focus on the committee having a positive impact on students.

21/2/2   Declaration of interest

2.1   There were no declarations reported by members in relation to the business.

21/2/3   Minutes of the meeting on 3 March 2021

3.1   The committee <u>approved</u> the minutes of the meeting held on 3 March 2021 as an accurate record, with a correction to paragraph 7.2, fourth line should read "[members] *could see that remote working had made specialist practical skills training more difficult*."

21/2/4   Matters Arising & Action Record

4.1   The Committee considered the matters arising as follows:

a) <u>Minute 20/3/10.2 refers, Internal Audit Exams Review</u>, the committee <u>agreed</u> that the action could now be marked as complete and removed from the tracker.

b) <u>Minute 20/4/2.6 refers, Bank loans maturing in 2021</u>

The committee <u>noted</u> an update from the EDF on ongoing discussions with lenders. The Executive Leadership Team (ELT) and external auditors are considering the impact on loan covenant compliance when assessing the options for re-financing or paying off the maturing loans. The committee <u>agreed</u> this action should remain on the matters arising action tracker.

c) <u>Minute 21/1/9.3 refers internal Audit Equality and Diversity</u>, the committee <u>agreed</u> to defer the completion date for governors to consider board Equality and Diversity targets to coincide with the next annual review of college-level equality objectives in December 2021.

GB   15.12.21

4.2   The Committee <u>noted</u> the updates and <u>approved</u> the removal of the completed items.

4.3   **Compliance with Financial Regulations**

The Chair reminded members that following the 2020 annual review of the financial regulations, Finance, Employment and General Purposes (FEGP) Committee had referred to Audit and Risk Assurance Committee (ARAC), an analysis of compliance with the regulations compiled by the former EDF. The Chair of ARAC had asked the then interim EDF to review the analysis and advise ARAC on the implications for the effectiveness of the college's control environment.

The EDF reported on the outcomes of his initial review as follows.

- The Sheffield College's (TSC) financial regulations are in line with sector requirements and practice elsewhere. The EDF will be completing the annual review of regulations in July/August and does not anticipate making many changes.

- Issues around compliance are most common where budget holders do not understand procurement regulations or find compliance difficult due to deadlines or other conditions.

- To improve clarity, finance staff are summarising the key regulations into a crib sheet for budget holders to use and sign.

- The college has restructured the finance team and continues to improve the efficiency of processes to make them clearer, easier to follow and more responsive to aid compliance.

The committee <u>received</u> the verbal update and agreed

ACTION: as part of completing the annual review of the Financial Regulations, provide an update on compliance and report back to ARAC, by exception, following the re-approval by FEGP in September 2021.

EDF   1/10/21

4.4 Control environment for an outstanding college

The committee received a report from RSM on the common strengths and weaknesses they had found in auditing further and higher education clients. Members agreed that the seven areas highlighted in the report provided a useful starting point for work on assessing and improving further developing the college's control environment.

The committee <u>agreed</u>

a) Creating a control environment for an outstanding college should focus on three areas in 2021-22, further developing finance controls, fostering a strong health & safety culture, and highly effective procurement processes

b) For each area in turn, college managers and staff should do an internal review of the effectiveness of current college controls against sector benchmarks and devise priorities and an action plan to achieve optimum practice for an outstanding college.

c) The committee would receive feedback on one area at each meeting in October 2021, March 2022 and June 2022.

d) The EDF agreed to pilot this approach first with finance controls to bring a report to the next meeting.

ACTION: as part of ongoing process-improvement work with the Finance Team, consider the attributes of a highly effective control environment for finance processes, self-assess current processes and practice against this and report back to the committee on finding, priorities and actions for improvement.

EDF   1/10/21

21/2/5 Strategic Risk Register 2020-21 update

5.1 The Executive Director Strategy and Systems Improvement (EDSSI) presented the Strategic Risk Register update, highlighting the changes and movements since the last meeting.

5.2 The committee considered the report and the main issues discussed were as follows. Some of the discussion is recorded in a separate confidential minute due to commercial sensitivity.

    i) **Apprenticeships**, the third lockdown had meant that the pandemic was continuing to have a negative impact on recruiting new apprentices and supporting existing apprentices to complete. Members noted that the financial impact of this was being mitigated in managing the 2020-21 budget and planning the budget for 2021-

22. Members stressed the importance of maintaining good communication with apprentices and their employers about continuing study during furlough and returning to college as soon as possible for on-campus skills training.

ii) **Covid-19 Risk Register**, members noted that the college had decided to retain the requirement for staff and students to wear face coverings on campus, including in class, unless exempt. The committee supported the college in being cautious about relaxing risk mitigations in the context that the number of COVID-19 cases in Sheffield continues to be higher than the UK average and with concerns about new variants.

iii) **Assurance mapping**, the Chair welcomed the updated assurance table presented with the report and commented that best practice would be to develop this into a dashboard showing how it relates to the upcoming assurance plan and the outcomes and further action.

5.4 The committee <u>received</u> the report, noting the update and the changes to the register. In relation to COVID-19, it was noted that the college continues to maintain a separate risk register and additional governance arrangements for managing these risks but will look to mainstream them as operational risks as soon as that is practicable. The committee agreed that there were no new or emerging risks requiring additional assurance activity in 2020-21 and the following action:

ACTION: create a reporting framework for the 2021-22 assurance plan that aligns internal and external assurance activity with the college's main risks for use by the GB and its committees to support board assurance.

EDSSI   1/10/21

21/2/6   Health and Safety Risks

6.1 The CEP reported that the Head of Health and Safety and Business Continuity had left the college on 21 May 2021. The college had appointed an interim Head of Health and Safety and, pending their arrival, the Head of Estates, who is appropriately qualified and supported by two health and safety officers, is the Competent Person for the purposes of managing health and safety. To help manage the risks during the transition, the exiting Head of Health and Safety and Business Continuity provided an analysis of areas for further development for their successor, the ELT members are taking the Institution of Occupational Safety and Health course "Leading Safely", other colleges have offered to share their Health and Safety training and policy frameworks. The ELT had allocated additional resources for health and safety in the 2021-22 budget to support fostering an effective health and safety culture.

6.2 The EDCO tabled the Fire Risk Assessment prepared by a specialist consultant. The overall judgment in the assessment was that the college's sites were medium risk with detailed recommendations about how to reduce that risk to low. The highest priority actions had been addressed by managers

already with some actions completed and others in progress. The Head of Estates was in the process of compiling a detailed action plan to address all the recommendations.

6.3 The committee considered the Fire Risk Assessment report and the main issues discussed were the significant number of actions recommended and how to engage staff and students in spotting and reporting risks in their area.

6.4 Members noted that the assessment had picked up a lot of actions, many of which were relatively minor. Members asked if staff and students are expected to report minor defects. The Chief Executive and Principal (CEP) said that staff and students know what to do if there is a fire, but probably do not know how to report a fire risk. The strong health and safety culture that the college wishes to develop is one in which staff and students are alert to the main health and safety risks, they understand the measures that protect them (such as clear escape routes and well-maintained fire doors) and know how to report issues when they see them. The college has Safety Representatives who already do this. Much of the focus of health and safety activity over the last 18 months has been on preventing the spread of COVID-19 and the college wants to broaden the focus to other risks.

6.5 The committee <u>received</u> the oral update on changes to leadership of health and safety and the report on the Fire Risk Assessment. They welcomed the action the ELT is taking to provide additional training to leaders and using peer support to identify wider improvement actions to training and policies. It was noted that FEGP Committee receives a regular health and safety report, which includes an update on these matters. The committee <u>agreed</u> that, for assurance, ARAC should also receive an update as follows.

ACTION: provide an update on completion of actions raised in response to the recommendations in the Fire Risk Assessment.　　　EDCO　1/10/21

21/2/7　Internal Audit update, recommendations and management actions progress report

7.1 The EDF presented the update, which included changes to the reporting format to increase the clarity.

7.2 The committee considered the report and the main issues discussed were as follows.

a) **Ongoing actions from health and safety IAR**, the committee noted the progress made on four medium priority actions and one low priority action. As previously discussed, personnel changes meant that actions already started needed to be rescheduled for completion by the interim or the new permanent role holder. The committee noted the mitigating actions the ELT were taking to manage the risks and <u>agreed</u> to extend the deadlines to 1 December 2021.

b) **Ongoing action on key financial controls IAR**, the committee stressed the importance of completing this action

and as many of the other actions as possible by the end of the financial year.

7.3 The committee received the report and <u>agreed</u> to remove the completed actions from the tracker and extend the deadline for Health and Safety actions due to staff turnover. It was also noted that several due dates had been revised to 31 July 2021. It was agreed,

ACTION should these actions (due by 31/7/2021) remain outstanding beyond the end of the fiscal year, then the action owner should contact the Clerk, to seek ARAC approval of the compensating mitigation that is in place to manage the risk until the action is fully completed.

ELT   31/7/21

21/2/8   External Audit update, recommendations and management actions progress report

8.1 The EDF presented the report on progress on the actions identified by external auditors in audits of the financial statements.

8.2 The Committee <u>received</u> the report. Members commented that the changes to the layout and coding of this and the internal audit recommendations tracker were helpful. It was reassuring that two of the three remaining actions raised in the 2019-20 audit had been completed. The committee <u>agreed</u> that all outstanding actions should be completed by 31 July 2021.

21/2/9   ESFA Audit Code of Practice 2020-21

9.1 The Clerk presented a short summary of the main changes to the ESFA Audit Code of Practice (ACOP) for the current fiscal year. It was noted that the External Auditor would address the clarification contained in the latest version, that the ESFA statement of grant payments does not constitute assurance on the funds earned by the college.

9.2 The Committee <u>received</u> the report and asked the Clerk to incorporate the new information specified by the revised ACOP into the ARAC Annual Report 2020-21.

Clerk   1/10/21

21/2/10   Internal Audit Plan and Internal Audit fees for 2021-22

10.1 The Internal Audit Manager introduced the proposed Internal Audit plan for 2021-22, which had been drafted based on the college's strategic risks, sector risks and the updated three year strategy to July 2023.

10.2 The committee considered the plan, and the main issues discussed were as follows.

- **Information Technology (IT),** it was noted that the plan included an Internal Audit Review (IAR) IT and members queried this as it had been included in the previous year's plan and is an area where the college commissions other specialist assurance via JISC and kitemarks. The IA Manager said that the IAR would focus on cyber security, which is a fast changing area. The college is relying heavily on its IT systems for teaching and learning as well as

business processes and some colleges have experienced significant disruption due to cyber-attacks.

- **Governance Code,** it was noted that the sector governance code is changing, and a member queried if the plan should consider the readiness for the changes. The IA Senior Manager said that the firm would provide a briefing for clients on the changes to the code and there is flexibility in the 2022-23 outline plan should the board require assurance about compliance with aspects of the revised Code.

- **Flexibility,** members asked how the plan accommodates changes in the college's risk profile. The IA Senior Manager said that the plan included a contingency to use for new risks and the committee could amend the plan.

- **Coverage,** it was commented that not all the highest risks flagged in the risk management report were addressed in the plan. The IA Senior Manager said that for some areas, the college is in the process of self-assessing and developing its strategy, measures and targets and there would be more benefit in reviewing effectiveness once a new strategy had been implemented. For other risks, the college had other sources of assurance (the assurance mapping referred to in minute 21/2/5.2iii will be useful in making these clear). Members noted that Ofsted had visited the college five times in the last four years and had judged safeguarding to be effective. It was commented that the Governing Body should have sources of assurance other than Ofsted to check that systems are working effectively, possibly from specialists rather than internal audit.

10.3   The committee approved the outline plan for 2021-22 and the associated fees, noting that the detail would need to be flexible to respond to changes in the risk register and assurance framework, and agreed

ACTION: in the next iteration of the Internal Audit Plan include the rationale for the areas/risks flagged as requiring assurance that are outside the Internal Audit Plan

EDF/ RSM   1/10/21

21/2/11   External Audit Strategy for the audit of the financial statements 1 August 2020 to 31 July 2021

11.1   The Chair welcomed James Boyle, KPMG Financial Statements' Audit Director, to the meeting, who introduced the strategy for external audit of the financial statements for 2020-21

11.2   The committee considered the report and noted the following.

- **Changes to the Audit Code of Practice** will have an impact on the assurances, materiality and the amount of work external auditors must do. It was also noted that it would be an additional burden on the college as would providing the assurances required by the Combined Mayoral Authority for devolved Adult Education funding.

- **Risks**, it was noted that two of the risks included in the plan are ones that are required by the audit code and standards. Members commented that these seem to more about

managing the auditor's risks and of less value to the college and they would welcome assurance about how the firm can support the corporation to tackle its most pressing issues.

- **Establishing "Going Concern"**, members asked about changes to the audit standard and Audit Director commented that the increased work done in 2019-20 meant that auditors had a good understanding of how to establish going concern.

- **Office for Students' (OFS) requirements**, a member queried if there would be further changes to materiality and how the firm kept up to date. The Audit Director said that the firm had a relationship manager to liaise with the OFS and firms were able to raise issues about materiality and proportionality for the regulator to consider.

- **Quality Assurance** (QA), the Audit Director confirmed that as well as the firm's own QA processes, it is also subject to oversight by the Financial Reporting Council and professional body registration requirements.

11.3 The Committee <u>approved</u> the External Audit Strategy presented and <u>recommended approval</u> by the Governing Body of the proposed fee for the audit of the 2020-21 financial statements, subject to the EDF having authority to approve the final invoices. The committee further <u>agreed</u>

ACTION continue relationship building between KPMG and the college about how KPMG's sector intelligence and experts can continue to support the college strategy.	EDF/ KPMG	1/10/21

21/2/12   Internal Audit: Progress Report 2020-21

12.1 The Internal Audit Manager introduced the report on progress against the IA Plan for 2020-21.

12.2 The committee <u>received</u> the report, welcoming the progress on completing the plan, the generally positive feedback from college staff involved in the process and that this had been achieved without any delays because of the COVID-19 lockdown.

12.3 The committee <u>noted</u> the progress update and that there were no recommendations for changes to the 2020-21 plan nor for using the contingency days. The Chair thanked Internal Auditors for the additional sector reports they had provided on tips for managing risks through and after coronavirus and emerging issues for Further Education. The Chair commended the documents to other governors and college managers and the Clerk agreed to circulate it.	Clerk	7/7/21

21/2/13   Internal Audit: Apprentice Funding Compliance

13.1 The Internal Audit Senior Manager presented the report, commenting that the review had found substantial improvement in practice and documentation since the last review in 2018/19. However, with ESFA requirements frequently changing it is an area where staff require regular training and updating.

13.2 Members considered the report and the two main areas discussed were as follows.

  a) **Sample size**, it seemed relatively small. The IA Senior Manager said that the sample had been selected on the same basis as that used by an ESFA assurance visit and was deemed sufficient to test compliance.

  b) **Completion of actions**, it was noted that all the actions had been included on the IA Tracker, the actions rated as high priority had been completed and two sections of the action plan rated as medium were in progress and in date.

13.3 The EDF commented that in some cases the evidence had existed but not been available to auditors as quickly as needed. The learning from this is that an assurance visit would require dedicated project management to ensure that all the paperwork is provided in a timely manner.

13.4 The committee <u>received</u> the report and noted that although it was not part of the scope to provide an assurance opinion, it did provide assurance to the committee that the college was adapting and improving to meet the changing ESFA requirements. It also provided evidence supporting a positive opinion on data quality.

21/2/14　Internal Audit: Learner Support Funds

14.1 The committee <u>received</u> the report and <u>noted</u> the substantial assurance it provided.

21/2/15　Internal Audit: Curriculum Planning

15.1 The committee <u>received</u> the report and <u>noted</u> the substantial assurance that this is an area of good practice for the college. The IAR corroborated the findings of the FE Commissioner's Diagnostic Assessment that the college's business planning and review processes are highly effective. The committee <u>agreed</u>:

ACTION: arrange a governor engagement demonstration of the process for curriculum planning for the Chair of ARAC as an example of good practice in process improvement.

Clerk　31/7/21
EDSSI

21/2/16　Data Protection Officer's annual report 2020-21

16.1 The committee <u>received</u> the report, noting that this was the first report from the college's new Data Protection Officer who had been recruited and inducted during lockdown. Remote working had caused some delays in responding to some Data Subject Access Requests and in auditing data security of paper records. Despite these challenges, the committee welcomed the assurance that the college was continuing to invest in protecting the personal data of staff and students.

21/2/17　Fraud and corruption annual report 2020-21

17.1 The committee <u>received</u> the report noting that there had been no allegations of fraud or corruption received in the year to date. Members noted the positive assurance on staff training on fraud, bribery and cyber security.

21/2/18 Whistleblowing Policy review and annual report 2020-21

18.1 The Clerk introducing the annual report, which included notification of a potential protected disclosure received since the last meeting. It was noted that the recipient was assessing the communication to determine if it constituted a protected disclosure and should be investigated under the whistleblowing policy. The outcome of the assessment and further action would be reported to the Chair and members in due course.

18.2 The committee <u>received</u> the report, members were assured that the college is implementing the Whistleblowing Policy appropriately and agreed that the current Policy may continue, without changes, in 2021-22.

21/2/19 Internal Assurance reports: Gifts and hospitality annual report 2020-21

19.1 The committee <u>received</u> the report, noting a nil return for 2020-21 to date.

21/2/20 Committee Self-Assessment 2020-21

20.1 The Clerk presented the draft self-assessment of the committee's effectiveness for members to comment and agree. Based on the assurance received during 2020-21, which was summarised in the report, the members <u>agreed</u>

ACTION include the four self-assessment opinions into the draft ARAC Annual Report for 2020-21	Clerk	1/10/21

21/2/21 Committee Terms of Reference 2021-22

21.1 The committee considered its Terms of Reference and noted that there were no proposals for changes for next year. The Internal Audit Senior Manager agreed to provide comments on suggested improvements outside the meeting.

21.2 The committee agreed to <u>recommend approval</u> to the Governing Body of the Terms of Reference for 2021-22 subject to minor changes recommended by internal audit and agreed by the Chair.

ACTION send suggested improvements to the Terms of Reference to the Clerk to ensure they fully align to the 2020-21 ACOP	RSM	16/6/21

21/2/22 Committee work plan 2021-22

22.1 The committee <u>approved</u> the workplan proposed for 2021-22 subject to the following changes.

ACTION addition of Control Report on Subcontracting to the October meeting and schedule one or two workshop dates for	Clerk	31/7/21

audit committee training and making progress on Board Assurance and creating an outstanding control environment.

21/2/23   Review of meeting and closing remarks

23.1   Members reviewed the meeting and the main issues discussed were as follows.

Impact on students: the continued focus on assuring the effectiveness of health and safety arrangements has a clear impact on staff and students. The college uses the message "be safe" as a key part of its student behaviour code and engaging students in understanding safety risks is important for securing the safety of everyone.

Timing of meeting: it was agreed that for 2021-22, ARAC meetings should be scheduled for 08.30 - 10.30.

Membership: it was noted that this was Shelley Hemsley's last meeting of the committee. Members thanked Shelley for her service to the committee as a member and vice chair.

21/2/24   Date and time of next meetings

Members noted that the following dates were proposed in the governance calendar for 2021-22:

Wednesday 20 October 2021 08.30 – 10.30

Wednesday 24 November 2021 (joint with FEGP)

Wednesday 23 March 2022 08.30 – 10.30

Wednesday 6 July 2022 08.30 – 10.30