



**AUDIT AND RISK ASSURANCE COMMITTEE  
CONFIRMED MINUTES**

Date: 22 November 2023

Venue: New Boardroom City Campus

Clerk to the Corporation  
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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, governor  
Paul Senior

**FINANCE, EMPLOYMENT AND GENERAL PURPOSES COMMITTEE (FEGP) (09.30 -10.10 am)**

Stephan Hollingshead (Chair of FEGP)  
Holly Anderson, staff governor  
Peter Brooks, governor  
Angela Foulkes, Chief Executive and Principal (CEP) and governor  
Talia Logan, student governor  
David MacDougall, governor  
John Mothersole, Chair of Governors

In attendance: **Members of Governing Body** for Financial Statements' Auditor's report and presentation of annual financial statements (09.30 – 10.00)

- Leo Wilcox, student governor
- Phil Wymer, staff governor

Rob Barnett, Internal Audit Partner, RSM  
Martin Harrison, Executive Director Finance (EDF)  
Andrew Hartley, Deputy Chief Executive/Executive Director Commercial and Operations (DCE)  
Anne-Marie Holdsworth, Director of Governance  
Robert Knowles, Assistant Manager, Internal Audit, RSM  
Emma Lake, Executive Assistant to the Clerk and EDP  
Stuart McKay, Financial Statements' Audit Partner MHA MacIntyre Hudson  
Alison Shillito, Governance Advisor and Clerk to GB (GAC)

Action  
by whom by when

**23/4/1 Welcome, introductions and declarations of interest**

- 1.1 At 09.30 members of Audit and Risk Assurance Committee (ARAC), Internal Auditors and other governors joined the meeting. The Financial Statements' Audit Partner was already present as they had observed the Finance, Employment and General Purposes Committee (FEGP) prior to the joint session.

- 1.2 The Chair of FEGP handed over chairing of the joint session to the Chair of ARAC, who welcomed members of both committees and other governors. It was noted that all members of Governing Body had been invited to be present to receive the financial statements' auditor's report.

The Governance Advisor and Clerk (GAC) reported apologies from Saleem Rashid and confirmed that both committees were quorate.

[Post meeting note: Sol Miah gave apologies after the meeting that he was unable to attend due to an incident on route.]

- 1.3 There were no relevant interests declared by members of ARAC. The committees noted that Angela Foulkes, Chief Executive and Principal (CEP) was a director of college subsidiary companies would not be eligible to vote in any resolution concerning the company accounts.

#### 23/4/2 **Chair's comments**

- 2.1 The Chair reminded the members of FEGP and ARAC of

- i) The purpose of the joint meeting:
  - a) for all governors to be satisfied that the draft report and financial statements for 2022-2023 properly present the college's financial position, that the various formal statements in the report are accurate, and that the corporation remains a going concern
  - b) for members to be satisfied that a proper, independent external audit of the accounts has been completed
  - c) based on the above, to advise Governing Body (GB) that the accounts be formally adopted and the various representations sought by auditors be given on behalf of GB by the Chair of Governors and the Chief Executive and Principal (CEP), as Accounting Officer.
- ii) The respective roles of the two committees, being:
  - a) FEGP shall comment on the accuracy of the figures and the application of proper accounting policies;
  - b) ARAC manages the auditors appointed by GB and ensures a proper audit has been done; considers any control issues arising in the audit and recommends approval to GB of the draft Statement of Corporate Governance and Internal Control.
- iii) Both committees confirm that the draft annual Members' Report is consistent with their knowledge, including the accuracy of the Statement of Responsibilities of the Members of the Corporation and Statement of Regularity, Propriety and Compliance.
- iv) The opportunity is open to all governors to engage with the Financial Statements' Auditor 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 and other GB members.

#### 23/4/3 **Accounting Estimates**

- 3.1 The Executive Director of Finance (EDF) presented a report on the rationale for the accounting estimates included in the accounts. The estimates included a surplus in the college's section of the Local Government Pension Scheme (LGPS)

fund. The surplus was greater than in 2021-22 and the college was in a net asset position at 31/7/2023. In deciding whether to recognise the asset, the EDF had consulted the External Auditor on the treatment of the surplus in the accounts. A specialist pension advisor had advised

- (i) The college had no intention of withdrawing from the fund so no surplus would be realised
- (ii) A valuation of the total liabilities of the scheme over the life of the scheme exceeded the current valuation of the surplus

Under Generally Accepted Accounting Standards, the EDF advised that the asset in the college's section of the LGPS be impaired to zero.

- 3.2 FEGP Committee approved the accounting estimates used in the financial statements for 2022-2023 and advised Governing Body that the accounting estimates were a sound basis for the preparation of the financial statements.

#### 23/4/4 **Final Draft Report of the Members of the Corporation and Financial Statements for the 12 month period from 1 August 2022 to 31 July 2023**

- 4.1 The EDF presented a covering report on the college's financial position and commented that it had been a positive year for the college, financially and academically some areas, including apprenticeships, had not recovered as anticipated. The group had ended the year with an operating surplus and had maintained a strong cash position with a net cash inflow. The significant increase in reserves was due to the LGPS pension fund valuation. The audit process was complete and had gone even more smoothly than in the previous year.
- 4.2 Members commented that the draft report was more succinct than previous years' reports and was an accurate reflection of the information they had received over the year.
- 4.3 FEGP Committee agreed that the Objectives and Strategy section of the draft report were an accurate statement of the current performance of the college.
- 4.4 Based on the discussion, FEGP Committee and ARAC agreed to recommend approval to Governing Body of the draft Report for adoption, subject to discussion of going concern and any post balance sheet events.

#### 4.5 **Going Concern**

The committees discussed the proposition in the draft report that the college is a going concern. Members noted that in 2022-2023, the college had

- an ESFA financial health score of "outstanding" for its forecast 2022-2023 outturn position
- repaid one of its long term loans and had maintained a strong cash position
- continued to be compliant with the covenants of its existing loans.

In addition, the committees noted assurances on the college's continued financial health in 2023-24, including cash flow statements and stress testing of finances. FEGP advised GB that the college is a going concern for the next 12 months.

#### 4.6 Board Risk Assessment of Fraud

The EDF presented the updated Board fraud risk assessment which gave assurance to the Financial Statements' auditor that the college was aware of and had controls in place to preventing material misstatement in the annual accounts due to fraud. Based on the work done over the year to strengthen the college's anti-fraud policy and fraud response planning, the committees were satisfied that the corporation had made an adequate assessment of the fraud risk and were assured by the actions to eliminate or reduce the risk.

#### 4.7 Statement of responsibilities of members of the corporation

Based on the discussion and noting that it included GB's responsibilities post-reclassification as advised by the DAO letter and Bite-Sized Guides, FEGP and ARAC agreed to recommend approval to GB of the Statement of Responsibilities of Members of the Corporation.

#### 4.8 Financial Statements and Notes to Accounts

The committees considered the financial statements and notes. It was noted that there were some minor issues with page numbers and updating notes. The chair asked members to send any corrections directly to the EDF as soon as possible after the meeting.

- 4.9 FEGP committee agreed the Financial Statements and Notes and commended them for adoption by GB.

**ACTION:** send any typographical issues to EDF as soon as possible.

All

1/12/23

#### 23/4/5 Financial statements of the college's subsidiary companies

- 5.1 The committees received the draft accounts for the college's three wholly owned subsidiary companies (Sparks Teaching Services Ltd, Sparks Managed Services Ltd and Sparks Solutions Ltd). The GAC reported that the company directors were due to approve and sign the reports on 28 November.
- 5.2 The EDF reported FEGP Committee had considered the future of Sparks Solutions Ltd once its current activities had been completed and remaining staff transferred to the college. As the college was the sole shareholder, on behalf of GB, FEGP had agreed to advise the Board of Directors that it would be useful for the college to retain a registered company limited by shares in case the college needed a corporate vehicle for future trading activities outside the college's charitable object.
- 5.3 Subject to the approval of company accounts by the relevant Board of Directors, FEGP agreed the financial statements for the three companies for incorporation into the College Group accounts and commended them for adoption by GB.

#### 23/4/6 The Sheffield College Audit Findings Report 2022-23

- 6.1 The External Auditor presented the draft report to the committees and other GB members. The main points were:
- the audit firm is independent. The firm had completed one minor commission that was not included in the original agreement, an audit of the college's use of the Turing Scheme grant, which had no impact on its independence

- MHA had conducted the financial statements' audit and regularity audit according to the audit strategy agreed by ARAC and in line with the fees agreed by GB
- in its assumptions, the corporation had made an impairment of the valuation of the LGPS pension fund from £21m (£6.1m in 2021-22) surplus to £nil on the grounds that the valuation of the college's liabilities over the lifetime of the scheme was greater than the surplus valuation. Having taken independent advice, the Financial Statements' Auditor confirmed this to be a reasonable assumption
- based on the work to date, the External Auditor had found no significant issues that might result in them issuing a qualified opinion on the accounts and there were no "A" grade recommendations
- no adjusting misstatements were identified. The disclosure misstatements identified in the draft report had been resolved to the auditor's satisfaction

6.2 The committees received the report and agreed that they were satisfied that the audit had been conducted properly, commented favourably on the clarity of the Financial Statements' Auditor's report to members and welcomed the assurance provided by the proposed clean audit reports on the college and its subsidiary companies.

#### 23/4/7 **Financial Statements Regularity Self-Assessment Questionnaire 2022-2023**

- 7.1 The chair of ARAC presented the report, previously approved by ARAC, on 4 October, explaining that the information in the questionnaire guides completion of Statement of Regularity, Propriety and Compliance in the Annual Report that the Chair and CEP, as Accounting Officer, must sign.
- 7.2 FEGP noted the Regularity Questionnaire, it was further noted that the External Audit Findings Report had not identified any issues with the data in the completed questionnaire. Both ARAC and FEGP welcomed the assurance provided by the proposed unqualified Regularity Opinion arising from the Regularity Audit.
- 7.3 The committees advised that the completed Regularity Questionnaire was suitable for signature by the Accounting Officer and Chair of Governors, on behalf of GB.

#### 23/4/8 **Management representation letter**

- 8.1 The Chair introduced the management representation letter explaining its purpose and the representations sought by the External Auditor. The External Auditor commented that there was one additional representation sought from the college about the continued educational use of the Peaks Campus, which was confirmed.
- 8.2 Based on the discussions, the members of ARAC and FEGP agreed to advise GB that it should confirm the representations sought by the External Auditor including that:
  - the accounts presented a true and fair view of The Sheffield College and had been prepared on a going concern basis
  - there were no significant post balance sheet events that members knew of to report

- members were not aware of any frauds or allegations that had not already been disclosed to the External Auditor
- members were satisfied with the Statement on Regularity, Propriety and Compliance and advised GB to authorize the Chair of Governors and Chief Executive and Principal (Accounting Officer) to sign this on behalf of GB.

#### 23/4/10 **Concluding remarks**

- 10.1 The Chair asked if there were any other comments on the audit. The EDF commented that the process, management and oversight of the audit had run smoothly. The auditor's system for tracking document submissions had been transparent and easy to use, reducing the opportunity for miscommunication and delay. There had been a good dialogue between the finance team and audit team about pertinent and important issues. The audit team had provided valuable support and advice on potential improvements that the finance team would be taking forward in 2024.
- 10.2 The committees recorded thanks to the EDF and the finance team for preparation of the financial statements and to external auditors on their conduct of the audit process.
- 10.3 The joint meeting concluded at 10.00 at which point FEGP committee members, Leo Wilcox and Phil Wymer left the meeting.

#### 23/4/11 **Chair's comments**

- 11.1 Regarding the order of the remaining business, the Chair said that following review of the minutes and matters arising, the committee would continue its discussion of the External Audit Findings report. The focus of that discussion would be to consider the findings and recommendations for developing the control environment.

#### 23/4/12 **Minutes of the last meeting**

- 12.1 The committee confirmed the open and confidential minutes of the meeting held on 4 October 2022 as an accurate record.

#### 23/4/13 **Matters Arising and Action Record**

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

##### 13.2 **Minute 23/3/4.3 refers: Cladding: External Wall Inspection**

The GAC introduced the report, which had been prepared by an independent surveyor in response to a query originally raised by the committee. The survey reported that sampling of the construction materials and structure of the City Campus Tower building had found all samples to be compliant with the original specifications, including the composition of cladding. The report had been submitted to the college insurer to comply with risk improvement actions. The committee agreed that this action was closed for ARAC but asked that FEGP follow-up the feedback from the insurer and ensure that external walls assessment was included in the regular updating of the Fire Risk Assessment.

- 13.3 **Minute 22/3/20: membership:** the GAC reported that governor recruitment was still in progress and SRG had supported the proposal to seek to co-opt a student member. Should it not be possible to recruit a suitable new governor

member then the Chair of Governors had provided assurance that they would review the committee memberships of existing members.

13.4 **Minute 23/1/9.3iii: conflicts of interest:** the GAC reported that a 30 minute briefing on this was being scheduled for the Spring Term to coincide with the launch of the annual review of the register of interests.

13.5 **Minute 23/3/4.1: Continuous Improvement** of services: the committee noted the update in the tracker commenting that improvement projects should not just be a matter for the EDF. The committee agreed the action was closed.

**ACTION:** FEGP to ensure that relevant findings of the survey are considered in future Fire Risk Assessments and action taken on any risk improvement actions required by the insurer, if any.

GAC

#### 23/4/14 **External Audit Findings Report 2022-2023**

14.1 The committee continued to consider the issues arising from the audit of the financial statements. The main issue discussed was the college's treatment of the pension valuation of a surplus in the college's section of the LGPS, as recorded in minute 23/4/6.1, above.

#### 14.2 **Auditor Independence**

The committee noted that the Financial Statements' Auditor had completed an additional commission to examine the accounts for the Turing Programme Grant and agreed that it was satisfied with MHA's independence to perform the duties of External Auditor.

#### 14.3 **Audit Fees**

The committee noted the assurance that the audit had been completed in line with the fees approved by GB and approved that the EDF should review and authorise the final invoice for the fee.

#### 14.4 **Audit recommendations from 2021-2022**

The committee welcomed that six actions from 2021-2022 had been confirmed as completed and there had been progress on other actions.

14.6 The committee agreed that the proposed opinions were appropriate, welcomed the assurance that there were no propriety issues. The committee approved the actions proposed in response to recommendations in the report to improve controls.

**ACTION:** ongoing and new actions on External Audit recommendations to be added to the audit action tracker with deadlines for completion.

#### 23/4/15 **Strategic Risk Register**

15.1 The committee received the update and noted the changes to the Board Assurance Summary since the last meeting. It was commented that it would be even better if the Summary included details of what assurance would be available on the impact of the improvement actions being implemented to manage the risks. The committee requested that this be considered in the upcoming review of the structure and reporting of the risk register.

15.2 The committee approved the changes to the Risk Assurance Summary and agreed that no changes were needed to the assurance plans for 2023-24.

**23/4/16 Internal Audit Report: Follow-up Audit**

- 16.1 The Internal Audit Manager presented the report on audit of actions completed as a result of recommendations in Internal Audits in 2021-22. Members welcomed the finding that 77% of actions and the main issues discussed were as follows:

**Accuracy of management reports to ARAC:** it was noted that the report confirmed the status of actions but did not comment on the accuracy of the tracker reported to the committee. The Audit Manager said that considering the actions found to be still in progress or superseded, the majority of actions were reported accurately to the committee. Where this was queried, there were different interpretations of the action. There were only two instances where the IA disagreed with managers' interpretation.

**Reasonable progress opinion:** the Chair asked why the opinion was reasonable progress rather than good, given the high rate of actions completed. The Internal Audit Partner said that there was one medium priority action outstanding, which limited the opinion to 'reasonable progress'. The firm used a moderation process to ensure opinions were consistent across clients.

- 16.2 The committee welcomed the independent assurance that college is thoroughly tracking completion of actions and reporting them accurately.

**23/4/17 Internal Audit and External Audit recommendations update**

- 17.1 The EDF presented the report on progress against the management actions previously agreed. Members welcomed that there were no high risk recommendations with actions outstanding and there were no extensions requested for ongoing actions.
- 17.2 The committee received the report and welcomed the progress that action owners had made on completing actions since the last meeting.

**23/4/18 Internal Audit Progress Report**

- 18.1 The Senior Auditor presented an update on progress. It was noted all work on the Internal Audit Plan for 2022-23 had been completed and work on the 2023-24 Plan was underway and on track. There were no changes proposed to 2023-24 Internal Audit Plan. The committee received the report, welcomed the progress reported and the assurance.

**23/4/19 Internal Audit Report: ESFA Funding Compliance Testing (Advisory)**

- 19.1 The committee received the report. It was noted that the audit reported improvements to college procedures and reiterated the importance of ensuring that staff fully understand and adhere to its procedures and the importance of the college conducting its own date accuracy checks.

**23/4/20 Internal Audit Report: Carbon Reporting (Advisory)**

- 20.1 The Senior Auditor presented the advisory report which at governors' request included benchmarking against other organisations. This report had already been shared with all governors. There were a high number of recommendations because the scope of the review was to support the college to develop an effective action plan. The DCE said that the recommendations had been helpful in framing the Environmental Sustainability Action Plan, which would be launched at the December staff development day.



- 20.2 The committee received the report and noted that FEGP committee was responsible for monitoring implementation of the Environmental Sustainability Strategy. To avoid duplication, the committee agreed that the report actions be added to the IA/EA Action Tracker as a single entry with top level reporting on progress rather than monitoring each individual recommendation.

**23/4/21 Internal Audit Annual Report 2022-2023**

- 21.1 The Internal Audit Partner presented the Internal Audit Annual Report. Based on the work across the year, the overall opinion was Amber/Green, the college had an adequate and effective framework in place subject to the enhancement actions recommended by Internal Audit.
- 21.2 The committee considered the report and asked why the college had not received a Green opinion given the prevalence of substantial assurance opinions in individual reports. The Internal Audit Partner said that in reaching the opinion, they had considered the opinions in reviews, the recommendations, including those in advisory reviews, and the follow-up audit. Members commented that ARAC remained committed to agreeing an IA plan that included areas where an audit or advisory review could add value. The IA Plan 2022-23 had included a relatively high proportion of advisory reviews which had resulted in useful improvement actions even if the overall result was an Amber/Green opinion.
- 21.3 The committee agreed to adopt the Internal Audit Annual Report 2022-23 and asked RSM to issue the final report to add to the ARAC Annual Report.

**23/4/22 Draft Fraud Strategy**

- 22.1 The EDF presented a draft Fraud Strategy including an action plan to provide assurance that the college had adequate measures to prevent and detect fraud. The action plan continued the work done on updating the fraud policy and developing the Fraud Response Plan, most recently approved by ARAC in March 2022.
- 22.2 The committee welcomed the additional assurance that the strategy provided and approved the Fraud Strategy as presented.

**ACTION:** report progress against the updated Fraud Strategy and associated Action Plan with the annual fraud report at each October meeting

EDF

Oct 24

**23/4/23 Other External Assurance**

- 23.1 The committee noted the following
- a) **ESFA Funding Compliance Audit 2023:** the EDF reported that the college was awaiting the report on the funding audit. The committee noted the reassurance that the college had responded to all the auditor's queries and assessed the risk of a funding clawback as low.
  - b) **Turing Scheme Reasonable Assurance Report** including Annex 9 Annual Certification of Expenditure 2023: ARAC had received an earlier draft of the report at the October meeting. The report had been updated to ensure it fully met the funder's requirements. The report confirmed that the funding claim was properly prepared
  - c) **End of Year Certificate for the Teachers' Pension Authority:** the report noted minor exceptions there were no deductions.

**23/4/24 Audit Committee Annual Report 2022-23 (Final)**

- 24.1 The GAC presented the updated Audit and Risk Assurance Committee Annual Report 2022-23.
- 24.2 The committee considered the updates and agreed that the report was accurate and provided sound evidence to underpin the opinions in the Statement of Corporate Governance and Internal Control.
- 24.3 The committee agreed the opinions in the report including the draft opinions from the External Auditor's report to the meeting. The committee approved the report and commended it to GB.

**23/4/25 Statement of Corporate Governance and Internal Control**

Based on the findings of ARAC Annual Report 2022-2023, confirmed by the Internal Audit Annual Report 2022-23, the committee agreed to recommend to GB adoption of the Statement of Corporate Governance and Internal Control.

**23/4/26 Review of meeting and closing remarks**

- 26.1 Members commented that the overlapping meeting with FEGP Committee continued to be effective.
- 26.2 Members thanked the GAC, EDF and Finance Team for their work producing thorough and high quality annual reports, financial statements and continuously improvement projects.

**23/4/27 Date and time of next meetings**

20 March 2024, 08.30 – 10.30 in the Boardroom, City Campus

03 July 2024, 08.30 – 10.30 in the Boardroom, City Campus.