

**CONFIRMED MINUTES OF THE MEETING HELD ON 11 FEBRUARY 2021**

**PRESENT:**

Ms J Allen (Chair)	Prof C Kinsella
Ms V Brown	Mr J Warner

**APOLOGIES:**

Ms K Finlayson

**IN ATTENDANCE:**

	<b>AGENDA ITEM</b>
Ms J Andrew, KPMG	14ii
Ms M Boryslawskij, University Secretary and Clerk to the Board of Governors	All
Mr R Calvert, Deputy Vice-Chancellor Strategy and Operations	All except 1
Ms K Doherty, Grant Thornton	All except 1
Ms D Harry, Chief Finance and Planning Officer	All except 1
Ms K Stead, Head of Planning, Risk & Compliance	11
Ms J Juillerat, Advance HE (Observer)	All
Ms L Mason, Director of Strategy, Planning and Insight	12
Ms A Ormston, KPMG	All except 1
Ms A Temple, Governance Senior Advisor (Committee Secretary)	All
Mr R Nurennabi, Head of Pensions Development	10

<b>Opening Remarks</b>	Minute Ref <b>A/2/21/1</b>
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1.1 The Chair welcomed Ms J Juillerat, Advance HE, who was observing the meeting as part of the Board effectiveness review.

Agenda item 1	<b>Private Meeting of Committee Members</b>	Minute Ref <b>A/2/21/2</b>
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2.1 The Committee met privately prior to the arrival of the auditors, the Deputy Vice-Chancellor Strategy and Operations and the Chief Finance and Planning Officer. There were no substantive matters discussed that would not be covered during the meeting.

Agenda item 1 Paper Ref A/2/21/1 Confidential	<b>Private Meeting of Committee Members with Chief Finance and Planning Officer</b>	Minute Ref <b>A/2/21/3</b>
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3.1 The Committee met privately with the Chief Finance and Planning Officer prior to the arrival of the auditors and the Deputy Vice-Chancellor Strategy and Operations.

3.2-3.3 A minute confidential to the Committee and the Chief Finance and Planning Officer was recorded.

Agenda item 3	<b>Declaration of Interests</b>	Minute Ref <b>A/2/21/4</b>
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4.1 There were no declarations of interest.

Agenda item 4	<b>Chair's Business</b>	Minute Ref <b>A/2/21/5</b>
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5.1 The Chair noted that following her transition from Deputy Chair to Chair on 1 February 2021 there was a vacancy for a Deputy Chair for the Committee. It was proposed that the Committee should appoint a Deputy Chair at its September 2021 meeting. In addition, a vacancy would be created on 31 July 2021 by a member retiring from the Board. In the event that Chair was unable to chair the May 2021 or September 2021 meetings the Standing Orders made provision for those present to agree a Chair for the meeting.

Agenda item	5.1	<b>Minutes of the meeting held on 10 November 2020</b>	Minute Ref	A/2/21/6
Paper Ref				
	A/5/20/M			

6.1 The minutes were approved

Agenda item	5.2	<b>Confidential minutes of the meeting held on 10 November 2020</b>	Minute Ref	A/2/21/7
Paper Ref				
	A/5/20/M			
	Confidential			

7.1 The minutes were approved

Agenda item	5.3	<b>Confidential minutes of the meeting between the Committee and the auditors held on 10 November 2020</b>	Minute Ref	A/2/21/8
Paper Ref				
	A/5/20/M			
	Confidential			

8.1 The minutes were approved

Agenda item	5.4	<b>Confidential minutes of the meeting of the Committee only held on 13 January 2021</b>	Minute Ref	A2/2/21/9
Paper Ref				
	A/1/21/M			
	Confidential			

9.1 The minutes were approved

Agenda item	5-5	<b>Confidential minutes of the meeting between the Committee and the auditors held on 13 January 2021</b>	Minute Ref	A/2/21/10
Paper Ref				
	A/1/21/M			
	Confidential			

10.1 The minutes were approved

Agenda item	5.6	<b>Minutes of the joint meeting with Finance and Employment Committee held on 13 January 2021</b>	Minute Ref	A/2/21/11
Paper Ref				
	A/1/21/M/JOINT			

11.1 The minutes were approved

Agenda item	5.7	<b>Confidential minutes of the joint meeting with Finance and Employment Committee held on 13 January 2021</b>	Minute Ref	A/2/21/12
Paper Ref				
	A/1/21/M/JOINT			
	Confidential			

12.1 The minutes were approved

Agenda item	6	<b>Matters Arising/Audit and Risk Committee Action Tracker, Version 3 February 2021</b>	Minute Ref	A/2/21/13
Paper Ref				
	A/1/21/6			

13.1 The Committee received the action tracker.

- 13.2 **A/20/57.2 and 57.3 (17 September 2020): Tracking implementation of internal audit recommendations:** In relation to the work to review the approach to monitoring implementation of internal audit recommendations the Committee noted that:
- i. KPMG were undertaking work to archive completed actions in the SharePoint tracker and to progress a number of other updates;
  - ii. KPMG were testing the use of automated reminders to managers to update the tracker;
  - iii. it had been agreed with KPMG that the process for monitoring implementation of recommendations should be changed so that ULT would consider where completion dates would not be met and agree extensions (if appropriate) and ULT would also agree whether actions could be deemed completed/superseded. This would replace the practice where ARC was asked to agree extended completion dates and sign-off as complete or superseded;
  - iv. KPMG had provided some examples of how other organisations reported to their audit committees on implementation of recommendations. Governance, Legal and Sector Regulation (GLSR) would consider this as part of work to review the structure and content of the reports to ARC.

- 13.3 A member commented that whilst the Committee were not in a position to realistically judge whether requests for amended deadlines and sign off action as complete/superseded were reasonable it was important that the Committee were appropriately informed about ULT consideration of changes to the status of recommendation implementation.

- 13.4 The Committee supported the move to ULT considering amended completion dates and signing off recommendations as complete/superseded.

- 13.5 **A/20/49 (17 September 2020): Data Breach:** The Committee had received a confidential report concerning a data breach at its September 2020 meeting. As reported at the meeting on 10 November 2020 the Information Commissioners Office had been satisfied with the University's due diligence procedures and no action would be taken by the ICO in relation to the breach. A minute confidential to the Committee was recorded.

- 13.6 **A/20/74.2 (10 November 2020): Environmental Risk:** It had been suggested at the November 2020 meeting that the Committee should consider the plans around the specific risks around renewable energy including the campus masterplan and environmental KPIs. It was noted that integration of renewable energy into the estates masterplan was being considered by the University.

Agenda item 7  
Verbal

**Update on COVID-19 Response**

Minute Ref A/2/21/14

- 14.1 The following was noted:
- i. the University continued to operate with restricted access to the campus with essential access to research facilities and libraries being maintained;
  - ii. the University was delivering most of its provision on-line, with the exception of some health course provision and some other priority subject areas (in line with Government guidance);
  - iii. a further government announcement was expected on 22 February 2021 and, in anticipation of likely go-ahead for further re-opening, the University was planning for a phased return of additional students from 8 March 2021 onwards;
  - iv. key risks included recovery of delayed learning (especially practical face-to-face provision), meeting professional requirements, and delivery of exams. There would be challenges to manage delivery of academic provision over an amended semester structure and to manage density of users on site to ensure a safe delivery of services;
  - v. the University was not a provider of accommodation but had engaged with landlords concerning their approach to student rent payment;

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- vi. as a result of the pandemic the operating costs of the University had reduced;
  - vii. the University had made more funds available for student hardship;
  - viii. in the longer term there were financial risks in relation to the impact on recruitment and the impact on the city/region;
  - ix. successful January 2021 recruitment had led to a higher than planned intake of students (largely international one-year postgraduate students);
  - x. the position in relation to home student recruitment for the autumn 2021/22 intake was a developing picture;
  - xi. work had been undertaken to ensure that work on campus was safe, however, there had been some concerns raised in a joint statement from the University's Trade Unions in January 2021.
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14.2 In response to questions the following was discussed:

- i. the University had seen a relatively small peak in positive Covid-19 cases amongst its students at the end of September/October, with lower figures since then. Levels of staff cases had been low throughout. The University was monitoring the risk of on-campus transmission and was confident that this was low;
- ii. there had not been a significant impact on retention to date. The University had amended its end of year assessment processes and was looking at its progression process to mitigate the risks of students not progressing into 2021/22 academic year. In addition, it was thought that the poor jobs market would encourage students to continue with studies in 2021/22;
- iii. in relation to reputational risks, it was noted that the sector as a whole faced a reputational risk challenge in relation to value for money for students. In relation to Sheffield Hallam's specific reputational risk challenges it was noted that the University's reputation had not been significantly impacted as a result of the pandemic. In terms of individual student experience there had been complaints, but these were in line with the sector and the University's hardship provision, including response to digital poverty, had been positively received;
- iv. the University had not included specific risks on the Corporate Risk Register (CRR) for either Covid-19 or Brexit and it was noted that this was because these matters had impact across a range of corporate risks. It was noted that the CRR was updated on a quarterly basis and management received assurance on a more regular basis in relation to both Covid-19 and Brexit related risks;

Agenda item 8  
Verbal

**Brexit Risks**

Minute Ref A/2/21/15

15.1 The following was noted:

- i. eligibility for 'Horizon Europe' research funding for UK HEIs had been retained as part of the Brexit trade deal agreed in December 2020. The Trade and Cooperation Agreement had included basis arrangement and a draft protocol provided the terms for the UK joining Horizon Europe specifically. The University awaited the finalisation of the protocol;
- ii. the UK university sector would not have access to Erasmus+. Further information on how the Turing Scheme, which was being implemented by government, would operate was awaited and it was noted that the scheme was not equivalent to Erasmus+. The changes posed a challenge to the continued international experience and exchange offered to students by the University;
- iii. the extent to which the UK remained an attractive base for EU academic staff going forward was unknown and may present a challenge in recruiting EU staff.

15.2 It was agreed that Brexit risks would be reported through the routine risk updates to the Committee rather than as a separate agenda item in future.

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Agenda item 9 Verbal	<b>Auditor Audit Matters and Sector Issues Update</b>	Minute Ref A/2/21/16
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16.1 The Committee noted the following:

- i. the auditors had seen a number of HEIs with financial pressures caused by loss of accommodation income;
- ii. there were no significant financial reporting changes expected;
- iii. a key issue for HEIs was felt to be the future operating model implemented as a result of changes arising from Covid-19 and the impact on the workforce;
- iv. a more detailed update on sector and audit issues would be presented by the internal and external auditors at the May 2021 meeting.

Agenda item 10	<b>Report on TPS</b>	Minute Ref A/2/21/17
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17.1 – 17.2 The Committee received an update on the TPS investigation and a minute confidential to the Committee was recorded.

17.3 The Chief People Officer thanked the Head of Pensions Development and his team for their work which had been especially challenging to conduct whilst working off-site. A member commended the University for its thorough approach to the matter.

17.4 It was agreed to circulate a supporting paper on the TPS with the minutes.

17.5 A further update would be submitted to the May 2020 meeting.

Agenda item 11 Paper Ref A/2/21/11	<b>Corporate Risks Update</b>	Minute Ref A/2/21/18
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18.1 The Committee considered this report as part of its remit to provide assurance to the Board of Governors that the University is exercising adequate control of risks through the active planning, management, and assessment of risk in relation to its activities. The Committee noted that:

- i. a review of the corporate risk register had been undertaken and an updated risk register and heatmap had been produced. Key changes to note were a reduction in the highest impact scores for Teaching Quality, Student Outcomes and DTS, a reduction in the likelihood score for Research and Innovation (as a result of some certainty on research funding including Horizon Europe, A/2/21/15.1i refers), and an increase in the risk score for Ofsted;
- ii. following feedback from KPMG, the risk register had been reformatted to capture the embedded controls for each risk;
- iii. following a request from the Committee a review of the assurance map had been undertaken to identify when the controls had last been subject to internal audit scrutiny. This had highlighted a number of areas which the University Leadership Team had endorsed for incorporation into the future internal audit programme. This would inform discussions with KPMG about the development of the 2021/22 internal audit programme.

18.2 A member commended the University for the thorough process for managing risk and the comprehensive assurance map.

Agenda item 12 Paper Ref A/2/21/12	<b>Assurance of Data Returns</b>	Minute Ref A/2/21/19
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19.1 The Committee received the report on the data returns made so far during the 2020/21 academic year and progress towards the key data returns that would be submitted during the year. It was noted that all reports had been submitted by the deadlines.

19.2 It was noted that the Covid-19 pandemic had affected the data requirements for the sector and there had been several short-term and longer-term developments announced in the previous six months. This had included the suspension of some data collections for the 2020/21 year as well as more fundamental reviews of data provision; in particular, reforms to the NSS and a review of the annual TRAC (T) return.

19.3 Recent consultations from OfS and policy announcements from Government continued to put a significant emphasis on the use of key data and metrics. In December 2020, the OfS launched a consultation on its approach to regulating quality and standards in higher education. Proposals in this consultation sought to define 'quality' and 'standards' more clearly for the purpose of setting minimum baseline requirements for all providers. This included the use of key indicators on student outcomes. The consultation also set out proposals for increased, more challenging, numerical baselines to apply to each indicator, performance at subject level and in courses delivered through partnerships outside the UK.

19.4 A member commended the University for the successful submission of the data returns by the deadlines.

Agenda item 13  
Paper Ref  
A/2/21/13

**Transparent Approach to Costing (TRAC) – Annual Return**

Minute Ref  
A/2/21/20

20.1 The Chief Finance and Planning Officer introduced the report on the TRAC return which included the return in appendix A and the required commentary in appendix B. It was noted that:

- i. the TRAC return split all of the University's income and expenditure between teaching, research, and other activities and then further, between publicly funded and non-publicly funded activity. The return allowed the OfS to understand the surplus/deficit on these activities across the sector. The return also incorporated calculation of the indirect cost recovery rates which were used when costing new research bids using Full Economic Costing (fEC). These rates directly impacted on the income received for Research Council projects;
- ii. the Annual TRAC return had been prepared in line with detailed TRAC guidance to ensure consistency between institutions. The guidance also included the requirement for an oversight committee of senior staff from research, teaching and research support to review and challenge the data sources, assumptions and cost drivers used to produce the TRAC return, as well as the draft figures;
- iii. in line with the requirements of the TRAC validation process the Audit and Risk Committee annually confirmed compliance with the existing TRAC validation process.

20.2 Based on the assurances in the report, the Committee confirmed compliance with the existing TRAC validation processes. The Committee approved the TRAC return for 2019/20 for submission to the OfS.

Agenda item 14  
Paper Ref  
A/2/21/14

**Internal Audit Progress Report**

Minute Ref  
A/2/21/21

21.1 The Committee received a report on progress with the 2020/21 internal audit programme. It noted that KPMG had delivered 27 days against the original plan of 210 days for 2020/21 (which included 43 days deferred from 2019/20).

21.2 In response to questions the following was noted:

- i. KPMG assured the Committee that the remaining days were deliverable, in particular, the reviews scheduled for submission to the Committee in May 2020 had staff allocated to undertake the work. KPMG had a rolling programme of staff allocation and staff for subsequent audits would be allocated in due course;

- ii. the 2020/21 financial planning audit had been deferred to 2021/22 at managements request. It was suggested that there was a need for a process to ensure that such changes were appropriately approved by the Committee. It was also suggested that this may need to be between Committee meetings to allow effective management of the internal audit process;
- iii. it was noted that ULT were due to review the 2020/21 plan and it was agreed that following this discussion the University Secretary would update the Chair of ARC in order to agree whether any proposed changes should be approved by the Committee prior to the meeting.

Agenda item 14i  
Paper Ref  
A/2/21/14i

**Internal Audit Progress Report - Governance –  
Regulatory compliance and case management:  
Phase 2 on case management**

Minute Ref  
A/2/21/22

22.1 The Committee received the final 2020/21 internal audit report on Governance – Regulatory compliance and case management – phase 2 on case management and noted that the report had been graded as significant assurance with minor improvements required. It was noted that the audit had considered the management of complaints that had been received prior to March 2019 (i.e. pre Covid-19). The University had subsequently made changes to the complaints handling processing including use of a centralised pool of investigators (as opposed to this being managed by individual faculties or colleges). In response to a question about handling of complaints post-March 2020 the Deputy Vice-Chancellor Strategy and Operations assured the Committee that the handling of complaints had been prompt, facilitated by the implementation of the centralised complaints process and the provision of additional staff to handle complaints.

A/2/21/14ii 14ii

**Internal Audit Progress Report - Audit and Risk  
Committee effectiveness**

Minute Ref  
A/2/21/23

23.1 Ms J Andrew, KPMG, presented KPMG’s report on Audit and Risk Committee effectiveness. The Committee noted that:

- i. whilst there were some areas for improvement there were no critical areas of concern. There was strong governance in place and the Committee was well run;
- ii. a key message from the CUC Audit Code of Practice was that the audit committee should be the ‘conscience of the provider’. It was increasingly important that the Committee (i) should provide assurance that the processes that underpinned decision making were robust; (ii) should be assured that the corporate risk register was dynamic, refreshed, and prioritised; and (iii) was comfortable with the assurance provided – even when it was not provided directly by the Committee;
- iii. an example of the need for clarity on how assurance was provided was in relation to academic assurance as this was managed via the Academic Assurance Committee directly to the Board, but ARC’s role remained critical in ensuring that the correct controls were in place for managing the risk;
- iv. there was clear evidence of financial skills amongst the Committee membership. It was recommended that the skills of members should be reviewed as part of work to appoint new members to contribute to effective discussion of non-financial matters;
- v. the current practice whereby the chair of the ARC and FEC attend each other’s meetings as observers enabled a good flow of information from one committee to the other. However, it was not considered good practice by the CUC code and could be considered to be too close a relationship where the part of role of the ARC was to oversee the decision-making process of the FEC. It was recommended that this practice should cease;
- vi. during interviews for the audit all members had been positive about the administrative support provided to the Committee;

- vii. members had felt that Committee papers were hard to navigate;
- viii. engagement between the Committee, management and the auditors was positive;
- ix. there were no areas for concern raised about the ARC leadership and it was noted the chair had a strong voice on the Board of Governors;
- x. members, management, and the auditors were thanked for their contribution to the review.

23.2 During discussion, the following was raised:

- i. the outgoing chair indicated that he had found observing FEC to be invaluable in understanding issues which may require ARC scrutiny and recommended the continuation of the arrangements. The University Secretary noted that, as the practice was not in line with the CUC audit code of practice, it was important that any decision to continue with the practice was justified in terms of the benefits that it would bring (on the basis of comply or explain in relation to the CUC code);
- ii. it was suggested that it was important that the Committee should continue to draw on the expertise of the internal and external auditors;
- iii. it was recognised that there was a significant volume of paperwork and supporting information which could mean that the focus remained on the process in the meetings; the chair being pushed for time to get through the agendas and debate being limited. In addition, virtual meetings tended to lead to more process driven meetings.

23.3 A report would be submitted to the Committee in May 2021 which would include an action plan to address recommendations in KPMG’s Audit Committee Effectiveness review, any relevant recommendation made by Advance HE in its Board effectiveness review and actions arising from the self-assessment of compliance with CUC Audit Code of Practice (appendix 2 of A/2/20/14.1ii)

23.4 The incoming chair thanked the outgoing chair, Prof. C Kinsella, for his contribution to the work of the Committee during his time as chair (and prior to this as a member).

23.5 Ms Andrew was thanked for her work to review the operation of the Committee.

Agenda item 15  
Paper Ref  
Verbal

**Report on the Work of the Refinancing for Transforming Lives Task and Finish Group**

Minute Ref A/2/21/24

24.1 The Chief Finance and Planning Officer provided a report to the Committee on the work of the Refinancing for Transforming Lives Task and Finish Group. The Group was considering the University’s estates masterplan in a post covid-19 world, in particular, the future use to the campus. Financial advisers, who had advised on previous re-financing, had been appointed to provide advice on alternative forms of funding. Borrowing in relation to estates developments had been included in the financial forecasts that had been submitted to the OfS. The Task and Finish Group would report to the Board of Governors who may refer specific issues to ARC and/or FEC for consideration (in line with the relevant Committee’s terms of reference).

Agenda item 16  
Paper Ref  
A/2/21/16

**Update on Public Interest Disclosure Case**

Minute Ref A/2/21/25

25.1 The Committee noted the report.

Agenda item Paper Ref 17  
Paper Ref  
A/2/21/17

**Report on Review of Anti-Bribery Policy and Update on Bribery Act Compliance Measures**

Minute Ref A/2/21/26



26.1 The Committee noted the report.		
Agenda item 18 Paper Ref A/2/21/18	<b>Report on Waivers of the Financial Regulations</b>	Minute Ref A/2/21/27
27.1 The Committee noted the report.		
Agenda item Paper 19 Paper Ref A/2/21/19	<b>Additional Work Carried Out by the External Auditors</b>	Minute Ref A/2/21/28
28.1 The Committee noted the report.		
Agenda item 20 Paper Ref A/2/21/20	<b>Audit and Risk Committee: Annual Business Cycle 2020/21</b>	Minute Ref A/2/21/29
29.1 The Committee noted the business cycle.		
Agenda item 21	<b>Any Urgent Business</b>	Minute Ref A/2/21/30
30.1 None		
Agenda item 22	<b>Date of Next Meeting</b>	Minute Ref A/2/21/31
31.1 Thursday 20 May 2021, 1530 to 1830 – to include a 15-minute break		