

**AUDIT AND RISK COMMITTEE****Minutes of Meeting held on Tuesday 13 November 2018****Present:** Prof C Kinsella (Chair)

Ms K Finlayson

Mr C Kenny

Ms P Thompson

Mr J Warner

Mr M Conway (Secretary)

**In Attendance:** Mr M Ackroyd, KPMG

Mr R Calvert, Chief Operating Officer

Ms K Doherty, Grant Thornton

Mr T Edmondson, KPMG (for item 11.1(ii))

Ms D Harry, Chief Finance and Planning Officer

Mr N MacDonald, Chair FEC (observing)

Ms L Mason, Director of Strategic Planning and BIS (for items 12.1 and 13)

Mr M Redfern, Grant Thornton

Ms S Swales, Assistant Director of Human Resources (for item 11.1(i))

Mr S Taylor, Director of Financial Services

Ms A Temple (Minute Secretary)

Ms D Watson, Grant Thornton

**Apologies for Absence:** Dr J Morrissy

Paper ref      Minute ref

**A/18/57 Private Meeting between Committee Members and management**

- 57.1 A minute confidential to the Committee was recorded.

**A/18/58 Private Meeting between Committee Members and the auditors**

- 58.1 A minute confidential to the Committee was recorded.

**A/18/59 Declaration of Interests**

- 59.1 Ms Karen Finlayson was welcomed to her first meeting of the Committee. It was noted that Ms Finlayson was a member of the Board of Governors' Campus Masterplan Task and Finish Group. The remit of the group was to consider and recommend a funding proposal for the delivery of phase 1 of the Campus Plan, to the Board of Governors. In the event that the Audit and Risk Committee considered any matters related to the remit of the Group it was noted that Ms Finlayson would not contribute to the discussion. This would ensure that any possible conflict on interests in relation to her roles as a member of the Audit and Risk Committee and a member of the Task and Finish Group would be avoided.

- 59.2 There were no matters related to the work of the Campus Masterplan Task and Finish Group due for discussion at this meeting.

60.1 The minutes were approved.

A/4/18/8 A/18/61 **Matters Arising/Audit and Risk Committee Action Tracker, version 5 November 2018**

61.1 **A/18/47.4.4: Topics for Board of Governors development day:** A programme was being developed for the day, scheduled for Tuesday 29 January 2019, which may include items on:

- a. the Office for Students' (OfS) regulatory regime [A/18/47.4.3 refers];
- b. cyber security [as suggested by the Chair - A/18/57.3iv refers];
- c. safeguarding responsibilities;
- d. charity trustee responsibilities.

Further suggestions for topics which may be suitable for the development day or future development activity were welcome from members.

61.2 **A/18/47.4.5: Material for new members induction:** KPMG and Grant Thornton were asked to provide any material that may be useful to use as part of new members induction.

A/4/18/10.1 A/18/62 **Additional Work Carried Out by External Auditors**

62.1 The Committee received the report on additional work carried out by the external auditors and noted the additional work that had been approved since the last meeting.

A/18/63 **Internal Audit: Reports**

63.1 The Committee received the 2017/18 reports on effectiveness of staff appraisals follow up, technology strategy, follow-up of internal audit recommendations and early follow up - senior staff remuneration. The confidential 2017/18 report on privacy/GDPR was presented as item A/4/18/12.2.

A/4/18/11.1(i) 63.2 **Effectiveness of Staff Appraisals Follow Up**

The Assistant Director of Human Resources joined the meeting for the item. The Committee received the report, which followed up a review of staff appraisal undertaken as part of the 2014/15 programme. It was noted that

1. of the actions raised in 2014/15, two had been implemented, seven had been partially implemented and one had not been implemented;
2. section 3 of the report set out an action plan to address the outstanding actions arising from the original recommendations and to incorporate any additional actions arising from KPMG's work in 2017/18;
3. KPMG had concluded that there was significant assurance with minor improvement opportunities in relation to the overall control design of the new Academic Performance and Development (PDR) process. However, they were only able to give partial assurance over the operating effectiveness of the Academic PDR mainly as the process required further embedding to be consistently applied across the Academic faculties;
4. KPMG were satisfied that the proposed management actions were reasonable;

5. the Assistant Director of Human Resources reported that HROD were pleased with the findings in relation to the design of the Academic PDR system and observed that the audit had taken place during the mid-point of the cycle of Academic PDRs.

63.3 The following comments were made:

1. in relation to the observation that staff attending the Focus Group sessions had felt that the expectations set for each grade in the Academic Careers Framework were too high, it was noted that further work had been undertaken by HROD concerning the expectations within the ACF in order to ensure that staff understood these and link to academic progression;
2. it was noted that senior staff were committed to the activity being driven through the Hallam Deal which included work around talent management, succession planning, taking a more strategic view of organisational development, leadership and management development programmes at all levels;
3. the decision to publish the objectives of the University Leadership Team was welcomed as it was open and set the tone from the top;
4. it was agreed that the Committee should receive an update on PDR once a full cycle of the new arrangements had been completed.

A/4/18/11.1(ii)

#### 63.4 **Technology Strategy**

Mr T Edmondson, KPMG joined the meeting for item A/4/18/11.1(ii). It was noted that the University's technology strategy had documented the future vision, strategic objectives and direction of travel for the Digital Technology Service over a two year period to mid-2018. The audit considered the process used to develop the strategy and the steps taken to align the strategy to existing projects.

A/4/18/11.1(iii)

#### 63.5 **Follow-up of Internal Audit Recommendations**

The Committee noted the follow-up report progress to implement recommendation had been good. KPMG were content that actions reported as superseded had been appropriately reported as such. In relation to one recommendation KPMG observed that it had been signed off as implemented as plans were in place to take action but that the action had not subsequently been completed.

A/4/18/11.1(iv)

#### 63.6 **Early Follow Up - Senior Staff Remuneration**

The Committee received the report which followed up the recommendations made in the 2017/18 senior staff remuneration review. The original report had been categorised as "partial assurance with significant improvements required". Through the follow-up KPMG had confirmed that two of the high priority recommendations had been implemented and that plans were in place to address the third at the next meeting of the Remuneration Committee (which was a realistic timetable). Progress had also been made to implement the other recommendations. KPMG were satisfied that the area could be categorised as having 'significant assurance with minor improvements required'. This finding had been reflected in KPMG's annual report (A/4/18/11.2). KPMG noted that the University had been proactive in engaging KPMG to review its approach in this area.

- 64.1 The Committee received KPMG's annual report 2017/18 which had been updated following consideration of the draft report at the September 2018 meeting (A/3/18/13.3 refers).
- 64.2 It was noted that:
1. the report had been updated to take account of the findings of the early follow up - senior staff remuneration report;
  2. the report on the 2017/18 review of international recruitment had not been finalised in time to submit it to the Audit and Risk Committee, however, KPMG confirmed that the finding of the review was significant assurance with minor improvement. Consequently the finding would not influence KPMG's end of year opinion (A/18/64.3 refers);
  3. in terms of achievement of KPIs it was noted that two reports had not been issued within 20 working days of completion of fieldwork and one had not been issued within 10 working days of receipt of management responses.
- 64.3 In relation to the section setting out KPMG's view of the University (page 5) management noted the following:
1. whilst the section referred to the review of professional services (PSOM) it did not refer to the complementary work to review academic organisations (via the Academic Organisation Project [AOP]);
  2. KPMG's view was that the impact of the outcomes of the TEF results across the sector had been less than expected. The view of the University management was that improving the TEF rating to gold (from silver) was a key priority/objective. Members of the Committee agreed with this view.
- 64.3 KPMG concluded that, for the period 1 August 2017 to 31 July 2018:
- Significant assurance with minor improvements could be given on the overall adequacy and effectiveness of the organisation's framework of **risk management, control and governance**.
  - Sheffield Hallam University had adequate and effective arrangements in place to **promote economy, efficiency and effectiveness**. During the course of their work KPMG had identified areas where they believed the University could improve value for money and reported these to management in their assignment reports. In particular, KPMG undertook a review of procurement and identified improvements in the areas of staff training and contract management. KPMG noted that management was responding to these issues as part of its plan for improving procurement. During 2017/18 KPMG did not make any other findings in the course of their work that would lead them to question the arrangements in place at the University to secure value for money in the use of resources.

- 65.1 The Committee received a report on progress to implement outstanding medium and/or high priority recommendations in 2017/18 reports. Progress against recommendations in the 2016/17 reports is reviewed in KPMG's 2017/18 follow-up review [A/4/18/11.1(iii)]. The follow-up report also reviews progress against any actions from prior years that were outstanding when

KPMG undertook its 2016/17 follow-up review. Following consideration of the audit report the status of recommendation that have been reviewed would be updated and future progress reports to the Committee would report against progress to implement all currently outstanding recommendations from the 2016/17 and pre 2016/17 audits.

- 65.2 It was noted that the outstanding recommendation in the estates planning follow-up review had been implemented.
- 65.3 The Committee agreed to sign-off the recommendations in the devolved governance and decision making follow-up as superseded by the work to review strategic management and governance arrangements.
- 65.4 The Committee agreed revised completion dates for six recommendations in the overseas partnerships report and noted that the requests for extended completion dates were supported by reasonable rationales.
- 65.5 The Committee agreed to sign-off six recommendations in the student retention audit as superseded. Furthermore it noted that three recommendations in the review had been implemented.
- 65.6 It was felt that it was good practice that the Committee should be formally informed of slippage in implementation dates. The Committee recognised that the University needed to balance stretching but realistic targets and these would require re-setting from time to time.

A/4/18/11.3    A/18/66 **Internal Audit Strategy and Operational Plan for 2018/19**

- 66.1 The Committee had considered an overview of possible areas for audit at the September 2018 meeting (A/3/18/13.4 refers). Further work had been undertaken to develop the plan for 2018/19. The following was noted:
  1. the commercialisation of research review had been carried into 2018/19 (from 2017.18) as previously suggested (A/18/49.2 refers);
  2. a review of estates phase 1 had been included since consideration of A/3/18/13.4;
  3. the total number of days proposed in 2018/19 was 223;
- 66.2 During discussion the following was noted:
  1. it was noted that there would be some flexibility within the programme and that KPMG had the capacity to undertake more days if required. The Committee would be informed of any in-year changes to the programme of work;
  2. it was proposed that the strengthening leadership workshop would include members of the University Leadership Team, members of the Board of Governors and representatives of key regional partners;
  3. the work to assist the University in developing an assurance framework/map (minute A/18/42.2 refers) would be undertaken as part of the risk management audit. The framework/map would include consideration of compliance with the Office for Students' on-going conditions of registration. It was noted that OfS compliance was a matter being discussed at the Board development day on 29 January 2019 so it may be helpful for KPMG to undertake some audit work on this area prior to phase 3 of the audit programme. It was agreed to extend the days for the review from 6 to 10;
  4. KPMG confirmed that they had the necessary expertise to undertake the

work set out within the plan including matters related to academic areas, such as the BME attainment gap, and that these were appropriate areas for internal audit investigation.

66.3 The Committee approved the internal audit plan for 2018/19.

A/4/18/12.1 A/18/67 **Report on Risk Management**

67.1 Ms L Mason, Director of Strategic Planning and BIS joined the meeting for the item and A/4/18/13. The Committee received a report on risk management. It was noted that the trend of the risk was no longer shown in the corporate risk register and it was agreed to consider reinstating this.

67.2 Members' suggestions for risk areas for deep dive discussions at the March 2019 or June 2019 meetings were welcomed.

A/4/18/12.2 A/18/68 **Report on Progress to Implement the General Data Protection Regulation**  
CONFIDENTIAL

68.1 The Committee received KPMG's privacy/GDPR audit report. It was noted that the report contained one high priority recommendation and a plan was in place to address the issue raised.

68.2 It was noted that the University had a system in place to investigate incidents that may constitute data breaches that must be reported to the Information Commissioner's Office and to learn lessons from any incidents and/or near-misses. Any data breaches reported to the ICO would also be reported to the Chair of the Committee and to the OfS (as a reportable incident).

68.3 It was agreed to provide an update on GDPR implementation to the Board.

A/4/18/13 A/18/69 **Assurance of Data Returns**

69.1 The Committee received a report on the data returns submitted by the University to the Higher Education Statistics Agency (HESA), the SLC, the Office for Students, Research England and other funding bodies.

69.2 The purpose of the report was to enable the Committee to meet the mandatory requirement in the Audit Code of Practice to provide an opinion on the adequacy and effectiveness of the University's arrangements for the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loan Company, the Office for Students, Research England and other funding bodies.

69.3 The Committee noted the following:

1. during 2017/18 the internal governance processes for data management remained the same. The External Data Returns Board oversaw the delivery of the majority of the University's large and highest risk data returns.
2. work was in progress to develop an online technical solution for the collection and storage of updated graduate contact details for the purposes of the new Graduate Outcomes survey. A Task and Finish Group, chaired by the Dean of Students, was leading this work.

- 69.4 Given the assurance provided in the report, the Committee agreed the following opinion on data management and quality assurance (as set out in A/4/18/18: the Committee's annual report):

The Committee is able to confirm for the year 2017/18 that arrangements for the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loan Company, the OfS, Research England and other funding bodies were adequate and effective.

A/4/18/14      A/18/70      **Modern Slavery and Human Trafficking Statement**

- 70.1 The Committee noted the progress made during the year to comply with the requirements of the Modern Slavery Act 2015 and the Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015. The report included draft Slavery and Human Trafficking Statement and the Committee was asked to recommend the statement for approval by the Board of Governors, in order to meet the University's obligations arising under the Modern Slavery Act 2015 and the revised guidance from the Home Office, published earlier in 2017.
- 70.2 As reported in 2017, the University was committed to the use of the NETPositives tool and the ETI Base Code within its supply base and required all tendering parties above EU threshold to maintain a NETPositive record as part of the tender submission/contracted supplier status. However, it was noted that it was exceptionally difficult to extract data pertinent to the university in a meaningful way from the NetPositive tool. Consequently, the University's roll-out had been less beneficial than anticipated. The tool was being used, but the University was also reviewing a tool developed by The University of Sheffield to assess its usefulness.
- 70.3 In 2017/18 the University had focused its work on suppliers of student uniforms (health and wellbeing and sport) as this was an area that had been identified as of high risk in relation to meeting the ETI Base code.
- 70.4 The Committee recommended the draft statement for approval by the Board.

A/4/18/15      A/16/71      **Transparent Approach to Costing (TRAC) report**

- 71.1 It was noted that:
1. in line with the requirements of the TRAC validation process the Audit and Risk Committee annually confirmed compliance with the existing TRAC validation process;
  2. the OfS now required the TRAC(T) return to be approved by an independent committee of the Board prior to submission.
- 71.2 Based on the assurances in the report, the Committee confirmed compliance with the existing TRAC and TRAC(T) validation processes.
- 71.3 It was noted that there was no mandatory internal audit requirements for the 2017/18 TRAC return. The last internal audit of TRAC had been in 2014. It was agreed that management should discuss with KPMG how and when to undertake an audit of this return.

A/4/18/16    A/18/72 **Draft Audit Committee Annual Report to Board of Governors and Designated Officer 2016/17**

72.1 The Audit and Risk Committee received the draft annual report to the Board of Governors and accountable officer which it was required to produce by the OfS. The Committee noted that the report would be updated to take account of discussion at the meeting. The Committee considered the report including the statements of opinion (set out in section 2.1 and also covered in 9.1, 9.2 and 9.4). The Committee agreed the opinions. The amended report should be approved by the Chair prior to circulation for consideration by the Board of Governors at its meeting on Tuesday 27 November 2018.

A/18/73 **Date of next meetings**

73.1 Tuesday 13 November 2018 from 2.30pm to 3.30pm - Joint meeting between FEC and ARC

Thursday 14 March 2019 from 4pm to 6.30pm