

AUDIT AND RISK COMMITTEE**Minutes of Meeting held on Thursday 14 March 2019**

Present: Prof. C Kinsella (Chairman)
Ms K Finlayson
Dr J Morrissy
Ms P Thompson
Mr J Warner
Mr M Conway (Secretary)

In Attendance: Mr M Ackroyd, KPMG
Mr A Bush, KPMG
Mr R Calvert, Chief Operating Officer
Ms K Doherty, Grant Thornton
Mr M Redfern, Grant Thornton
Mr James Richardson, Director of Global Development and Partnerships (for item 10.1i)
Ms D Harry, Chief Finance and Planning Officer
Ms A Temple (Minute Secretary)

Apologies for Absence: Mr C Kenny

Paper ref Minute ref

A/19/01 **Declaration of Interests**

01.1 None.

A/19/02 **Briefing by Auditors on Audit Matters and Sector Issues**

02.1 In view to the current uncertainties about the UK's exit from membership of the European Union (which was due to take place on 29 March 2019 subject to Parliamentary agreement on the terms of exit) and the awaited conclusions of the review of post-18 education and funding (known as the Augar review) it was agreed to defer the briefing on audit matters and sector issues. It was felt that it would also be helpful to extend the invitation to attend to members of the Finance and Employment Committee.

02.2 The external auditors briefly highlighted the key issues affecting the HE sector as:

1. the publication of the Statement of Recommended Practice: Accounting for Further and Higher Education 2018 (SORP);
2. the revaluation of the Universities Superannuation Scheme (USS);
3. the requirement that pension schemes must equalise for the effect of the Guaranteed Minimum Pensions (GMPs); and
4. the reporting requirements on senior staff remuneration, stipulated by the Office for Students (the OfS).

02.3 Mr A Bush highlighted the following issues:

1. the need to assure the OfS of the institutions compliance with the regulatory framework and the conditions of registration;
2. the different approach of the OfS compared to HEFCE whereby the OfS would not advise HEIs on how to meet its requirements;
3. the recent [strategic guidance to the OfS - priorities for the financial year 2019/20](#) [from Damian Hinds, Secretary of State for Education];
4. the governments continued interest in the remuneration of senior staff - as highlighted in the strategic guidance to the OfS - which it was thought may lead to extended reporting requirements around senior staff pay in future years;
5. the recent cases of failure of governance in HE and whether workers felt confident about raising concerns (see A/19/17 on Public Interest Disclosure)
6. how do HEIs know that their governors and senior staffs' registers of interests were complete? It was important to that Universities ensured that they undertook appropriate due diligence in selection.

A/4/18/M A/19/03 **Minutes of the Meeting held on 13 November 2018**

03.1 The minutes were approved.

A/18/57
CONFIDENTIAL

A/19/04 **Minutes of the private meeting between Committee members and management held on 13 November 2018**

04.1 The confidential minutes were approved.

A/18/58
CONFIDENTIAL

A/19/05 **Minutes of the private meeting between Committee members and the Auditors held on 13 November 2018**

05.1 The confidential minutes were approved.

A/4/18/JM

A/19/06 **Minutes of the Finance and Employment Committee and the Audit and Risk Committee held on 13 November 2018**

06.1 The minutes had been considered and approved by the Finance and Employment Committee at its meeting on 20 February 2019.

06.2 The minutes were approved.

A/1/19/6

A/19/07 **Matters Arising/Audit and Risk Committee Action Tracker, Version 27 February 2019**

07.1 **A/18/47.4.3: Briefing on OfS at Board development day:** At the September 2018 meeting it had been suggested that it would be useful to have a session on the OfS at the Board's development day. The agenda for the Board developed day had been subsequently refocused so that the OfS session had not taken place. The Board did receive a briefing on the University as an exempt charity including the Office for Students' role as the principle regulator. The wider question of the new regulatory regime would be addressed through the development of the assurance map (A/19/16 refers).

07.2 **A/18/47.4.5: Induction material:** KPMG had sent invitations to members of the Committee who were not already members of their Audit Committee Institute inviting them to join in order to receive notification of events and publications. Grant Thornton did not have any specific induction material for members of the Committee. The University Secretary confirmed that induction material, and briefing, was provided to new members and it was noted that Advance HE had a number of useful 'getting to grips' guides including a guide to audit which was provided as induction material.

07.3 **A/18/71.3: Audit of TRAC return:** The Chief Finance and Planning Officer and KPMG had discussed the next TRAC audit and agreed to propose an audit of TRAC as part of the 2019/20 internal audit programme. It was noted that the final TRAC and TRAC-T returns had been submitted to the meeting as a 'for information' item.

A/1/19/10.1 A/19/08 **Risk Management Update**

08 .1 The Committee received a report on risk management and noted that.

1. the Provost, who was a risk owner for a number of corporate risks, had left the University. Responsibility for these corporate risks had been reallocated to new corporate risk owners. The Committee was assured that risks would continue to be appropriately managed;
2. in relation to succession planning for senior staff it was noted that work had taken place on this matter as part of the Academic Organisation Project and this had been reported to the Board on 5 March 2019. This had included development of talent grids and succession planning at ULT level (lead by the Vice-Chancellor) and mapping of talent for the two management tiers below ULT;
3. the action to consider reinstating the trend of the risk in the corporate risk register (A/18/67.1 refers) had been considered and it was noted that the risk dashboard now showed when the likelihood or impact had been changed. Existing or new trends were best captured in the risk summary or progress report;
4. a number of risks had been revised;
5. in relation to the Ofsted risk the following was noted:
 - a. a risk in relation to Ofsted assessment of the University's level 4/5 provision (i.e. FE apprenticeships provision) had been identified and discussed by the Building a Great University pillar board;
 - b. following issue of the papers to the Audit and Risk Committee an Ofsted visit had taken place (from 6 to 8 March 2019) to review the provision within the scope of Ofsted i.e. the Foundation Degree and NVQ in Engineering and the Operations Departmental Manager (ODM) level 5 higher apprenticeship;
 - c. it was noted that most of the University's apprenticeship provision was at levels 6 and 7 so not covered by Ofsted;
 - d. the University had received the provisional grading from Ofsted and the final report would be published via Ofsted's website in due course following consultation with the University on matters of factual accuracy;
 - e. Professor Kevin Kerrigan, Pro Vice-Chancellor for Enterprise and Sheffield Business School and Conor Moss, Director of Business

Engagement, Skills and Employment, were working on an action plan to respond to Ofsted's findings;

- f. the Academic Assurance Committee would receive a full briefing on the University's Apprenticeship provision at its meeting on 24 May 2019, and would consider the action plan developed to implement any improvements required by Ofsted. This would be shared with the Board at, or ahead of, the June 2019 Board meeting;
- g. the University had undertaken a test Ofsted review about two weeks prior to the actual review and had reached a different conclusion about the likely findings of any review to that reached by Ofsted;
- h. it was felt that the University had been well prepared for the Ofsted visit but that it may have been too optimistic in relation to the outcome when it had undertaken its test review;
- i. the implications on the 'requires improvement' finding were that there may be some provision which the University could not bid for. In addition, the University would need to consider whether the rating for its level 4/5 provision would impact on its level 6/7 provision;
- j. the most significant apprenticeship provision for the University was level 6/7. The University had already been considering its future strategy in relation to delivery of level 4/5 provision. The Chief Operating officer felt that it was likely that the University would continue to offer level 4/5 provision as part of its commitment to inclusion;
- k. the Ofsted risk would be escalated in view of the Ofsted findings.

08.2 During discussion the following comment was made:

- it was felt that it would have been useful to have recognised the pressure/turbulence caused by the absence of the Provost in the cover paper. Although it was noted that the paper had been produced before it had been confirmed that she would not be returning to the University.

A/19/09 Report on Progress to Implement the General Data Protection Regulation

09.1 The University Secretary noted that the Board had received an update on implementation of the GDPR at its meeting on 29 January 2019 (BG/19/9 refers).

09.2 The following was noted:

1. the action, arising from the GDPR/privacy internal audit (A/4/18/12.2), to review and provide tighter controls around the retention and deletion/destruction of personal data was on-going. The work had been delayed due to staff absence in DTS;
2. good progress had been made to compile information asset registers, with further work being undertaken with DTS to look for an IT tool which would allow the registers to be more easily maintained and re-used for other purposes;
3. work on additional safe data collection methods was on-going but had been delayed due to DTS staff absence;
4. new contract clauses, template data sharing and data processing agreements had been put in place;

5. a network of Information Governance Guardians in central directorates and academic departments was being put in place with work progressing as part of the PSOM programme. The role-holders would receive training;
 6. a robust procedure was in place to respond to data incidents. The University had not had any data security incidents which had fallen within the criteria requiring a report to the Information Commissioner. The University reviewed lower level incidents and near misses for any learning points.
- 09.3 A member asked whether there were any GDPR/data risks around the Graduate Outcomes survey as the collection of the data had been centralised and was now carried out for all UK HE providers by HESA (it had previously been undertaken directly by institutions and known as Destination of Leavers from Higher Education, DLHE).
- 09.4 In response to a question about the University's level of maturity in its GDPR implementation work the external and internal auditors confirmed that the University was well prepared, was giving implementation suitable priority and had clear implementation plans in place.

A/1/19/9 A/18/10 **Assurance of Data Returns - Update**

- 10.1 The Committee received the report on the data returns made so far during the 2018/19 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 and that there had been no significant issues raised as a result of the submission of the returns.
- 10.2 The information contained in the report would inform the Audit and Risk Committee's annual opinion on the adequacy and effectiveness of the University's arrangements for the management and quality assurance of data submitted to Higher Education Statistics Agency (HESA), the Student Loan Company, the OfS, Research England and other bodies which would be reported in the Committee's Annual Report in November 2019.
- 10.3 The Committee noted that.
1. the University had recently approved a new data strategy which set out a framework to make the best possible use of the University's data assets, combining the increasing need for agility and flexibility with the efficient and effective management of our data assets. The implementation of the data strategy would help to drive ongoing improvements in data quality and efficient data management to underpin the robustness of our external data reporting. Work had begun on developing the University's data governance framework and identifying and supporting staff with data governance roles;
 2. the University had been part of the alpha pilot for the HESA Data Futures Project and was participating in the beta phase. It had been confirmed that the in-year reporting, which had been due to commence at the start of the 2019/20 academic year, would not start in 2019/20 due to delays in starting the beta phase;
 3. HESA was the OfS's designated data body.

- 10.4 The Committee observed the significant demands placed on the University by the range of data returns and commended the University for meeting all reporting deadlines.

A/1/19/10.1 A/19/11 **Internal Audit: Progress Report**

- 11.1 The Committee received a progress report on the 2018/19 internal audit programme. It was noted that the Faculty deep dive and the UKVI reviews had been postponed.

- 11.2 KPMG and the Director of Estates had discussed a programme of reviews of the campus masterplan phase 1 work (with the proposals outlined in section 4 of the A/1/19/10.1). They had agreed in principal an initial piece of work to review the alliance operating model in autumn 2018/19 (as part of the 2018/19 plan). A member endorsed this audit given the current climate of contractor insolvency¹. The Committee noted that the alliance operating model was a new model of managing estates developments for higher education institutions, although it had been used in other sectors. The alliance consisted of the University, a construction firm, the architects and a facilities management provider working as a partnership under a contractual agreement to deliver the estates masterplan. Oversight of the estates masterplan work sat with the Finance and Employment Committee. The Director of Estates and Facilities was scheduled to attend the Audit and Risk Committee meeting in June 2019 for a corporate risk deep dive discussion of the estates masterplan.

A/19/10.1i 11.3 **International student recruitment (2017/18):** Mr James Richardson, Global Engagement Director, attended the meeting for the discussion on the report. The Committee received the review and noted that:

1. the fieldwork for the audit had taken place in June 2018. Consequently some of the areas raised in the report had already been addressed. Furthermore PSOM was addressing some of the areas raised by aligning international partnerships and international recruitment;
2. the 2018/19 international student recruitment target had been exceeded by the University;
3. work was being undertaken to mitigate the risk of overreliance on student recruitment from any one international market with the focus being on higher yield markets;
4. work had been undertaken to assess the return on investment in student recruitment activity in order to understand better the cost of student recruitment with costs being considered down to individual course level.

11.4 **UUK Student Housing (2018/19):**

1. KPMG had revised the format of its reports for 2018/19 and feedback was welcome.
2. It was noted that the review was a compliance report which considered compliance with the UUK Student Housing Code of Practice (the Code). The five medium priority recommendations related to the mandatory elements of the Code.

¹ Carillion and Interserve had both gone into receivership

3. A member asked why the fire alarm testing recommendation was graded as medium rather than high given the vital importance of effective fire management systems. It was noted that KPMG had graded this as medium as weekly fire alarm tests did occur in the accommodation but not all blocks were tested each week under the existing practice of testing on a rolling schedule.
4. It was agreed that management should review the implementation dates for actions in the report, in particular, priority should be given to bringing forward the action to increase fire alarm testing frequency.
5. It was noted that recommendation 6 and 7 (low priority) did not include a timescale for implementation. KPMG would request implementation dates from relevant staff.

A/1/19/10.2

A/19/12

Briefing Note on The Office for Students' Assurance requirements for National Collaborative Outreach Programme (NCOP) in South Yorkshire

12.1 The Committee noted that:

1. the Office for Students' required the Vice-Chancellor, as accountable officer, to provide assurance concerning (i) funding and (ii) data on engagement of learners for phase 1 of the National Collaborative Outreach programme (NCOP). This was for the 2 year period from January 2017 to December 2018;
2. the assurance was based on a self -certification process;
3. the OfS recommended that the Audit and Risk Committee, the NCOP consortium governing body and the external auditors were made aware of the assurance process and its outcomes. Any significant findings, and the action proposed or taken to remedy any weaknesses, should be drawn to the attention of ARC and the NCOP consortium governing body;
4. in line with the OfS's guidance the University had commissioned KPMG to undertake a review of the consortium's use of funding;
5. this additional work was approved by Chief Operating Officer in line with agreed procedure for additional work by the internal auditor.
6. KPMG's draft report (issued w/c/ 11 March 2019) had been published for members on the Governors extranet and had concluded that there was significant assurance in relation to the use of NCOP funding. KPMG had made two low priority recommendations. In view of KPMG's findings the Vice-Chancellor would be able to give the required assurances concerning the use of NCOP funding (as set out in annex B of the OfS's letter which was provided as an appendix to the paper).
7. in order to provide the required assurance concerning data on engagement of learners for phase 1 of the programme an audit was undertaken by the Head of Data Governance who was able to confirm assurance, with some mutually beneficial opportunities for on-going collaboration. The Vice-Chancellor would be able to confirm the required assurance concerning the NCOP data (as set out in annex C of the OfS's letter).

A/1/19/10.3 A/19/13 **Report on Implementation of Internal Audit Recommendations**

- 13.1 The Committee received a report on progress to implement outstanding recommendations made by the internal auditors.
- 13.2 It was noted that the outstanding recommendations in the 2016/17 Marketing review and the 2017/18 estates planning follow-up review had been implemented.
- 13.3 The Committee agreed revised completion dates for the following recommendations as the requests for extended completion dates were supported by reasonable rationales:
1. **2016/17 UK Educational partnerships (rec 12):** the action to engage with students enrolled with local FE Partners during induction and throughout their foundation degree, to encourage the students to think of themselves as Sheffield Hallam students would be completed by the end of July 2019.
 2. **2016/17 Capital and IT equipment (rec 1):** the action to review all equipment assets with a net book value of zero and ask directorates to confirm if these assets have been disposed of would be completed by July 2019.
 3. **2016/17 cyber programme health check (rec 1):** the action to consider broadening the Programme Board membership would be complete by the end of May 2019.
 4. **2017/18 payment card data project (rec 1):** the action to define the role and responsibilities of the Finance Compliance Officer would be complete by the end of July 2019.
 5. **2017/18 cyber programme tranche 2 (rec 2):** the action to consider incorporating further development of user awareness across the University and, implementing process changes following the data usage review into future projects would be complete by the end of June 2019.
 6. **2017/18 procurement (rec 1):** the action concerning training, the development of a procurement checklist and sharing contracts information would be completed by the end of May 2019. In the case of sharing contracts information an alternative solution was being developed which would be more effective than a contracts list in isolation.
- 13.4 The Committee agreed that recommendations 1 and 2 of the 2017/18 expenses review had been superseded.

A/1/19/11.2 A/19/14 **Additional work carried out by the external auditors**

- 14.1 The Committee noted the report on additional work by the external auditors approved since the last meeting.

A/1/19/11.3 A/19/15 **Report on Implementation of External Audit Recommendations**

- 15.1 The Committee noted that Grant Thornton had raised one internal control issue following their audit of the financial statements for the year ended 31 July 2018. It was noted that the Financial Accountants would issue guidance and procedures around cut-off period, to all relevant areas, prior to year-end.

A/1/19/12 A/19/16 **Office for Students (OfS) Conditions of Registration**

- 16.1 The Committee received a report on the way in which the University would monitor the initial conditions and the general ongoing conditions of registration with the OfS. The Board of Governors had discussed a paper (BG/2/19/6.8) on 5 March 2019 outlining the full rationale and details of the approach. The Board agreed to delegate the overview of this process to the Audit and Risk Committee.
- 16.2 In addition to monitoring the University's compliance with the conditions of registration the assurance map would also track compliance with other regulatory requirements such as health and safety and GDPR.
- 16.3 It was noted that KPMG would review the work to develop the assurance map as part of its 2018/19 risk management review.
- 16.4 A member observed that in the worked example internal and external audit were listed as second line assurance but should be third line assurance.
- 16.5 A member had suggested, arising from the Board discussion, that the assurance map should extend beyond assurance of protection of registration status into a wider role about oversight of management of the OfS relationship in its entirety. It was noted, however, that the relationship between the OfS and higher education providers was focused solely on compliance with the conditions of registration and that all engagement with the OfS would relate to matters of regulation and compliance with these conditions. Consequently, there would not be a need to extend the scope of the assurance map work in relation to the OfS beyond the conditions of registration.
- 16.6 It was noted that reportable events (as set out in the OfS's Regulatory Framework) were significantly wider than material adverse events which the University had been previously required to report under HEFCE. Work was being undertaken by the AHUA to define reporting levels for reportable events as further guidance was not expected from the OfS.

A/1/19/13 A/19/17 **Policy and Procedures on Public Interest Disclosure**

- 17.1 The Committee noted the work undertaken to review the University's policy and procedures in relation to public interest disclosure. In addition to approval by the Trade Unions the policy and procedure would be approved by the Building a Great University Board on 9 April 2019. It noted that:
1. the Chair of the Audit and Risk Committee would be the designated officer under the Policy where the matter related to the University Secretary and the Vice-Chancellor (*under the previous policy the designated officer role allocated to the Chair of ARC was allocated to the Chair of the Board of Governors*);
 2. the Audit and Risk Committee would receive a report of any investigations conducted under the policy (*this was in line with the current procedure*);
 3. the requirement in the previous policy and procedure that a report on any investigations should be made to the Board had been removed. However, the Board would be made aware of cases via the Audit and Risk Committee minutes and the Chair of ARC's verbal report to the Board on key matters arising from the Committee;
 4. the University Secretary would submit an annual report on public interest disclosures to the Audit and Risk Committee at its first meeting of each

- academic year (*new reporting requirement added during the review*);
5. in the event that a worker was dissatisfied with the investigation conducted under the policy and procedure the designated officer would refer the matter to an independent member of the Board of Governors for independent review (*under the previous procedure the persons who may be selected as an independent reviewer were not specified*).

17.2 The Committee resolved to recommend a new term of reference for the Committee: To oversee the institution's policy on public interest disclosure, including being notified of any action taken under the policy.

A/1/19/14 A/19/18 **Audit and Risk Committee Terms of Reference**

18.1 The Committee resolved to recommend the updated terms of reference to the Board (which included the update agreed under A/19/17.2 above).

A/1/19/15 Confidential A/19/19 **Report on Review of Anti-Bribery Policy and Update on Bribery Act Compliance Measures**

19.1 The Committee noted the report on steps taken by the University to review and update measures to manage its bribery risks. The report included an updated version of the Adequate Procedures Log, which collated evidence to demonstrate that the University had "robust and effective anti-bribery systems" in place.

A/1/19/16 Confidential A/19/20 **Report on Waivers of the Financial Regulations**

20.1 The Committee received the report on waivers of the Financial Regulations in relation to expenditure.

A/1/19/11.1 CONFIDENTIAL A/19/21 **External Auditor Performance**

21.1 Representatives of KPMG and Grant Thornton left the meeting for the item (A/1/19/11.1).

21.2 The Committee reviewed Grant Thornton's performance based on:

- A questionnaire completed by the Director - Financial Services, the Financial Accountants (job share), the Chair of the Audit and Risk Committee (ARC) and the Chair of the Finance and Employment Committee (FEC).
- An assessment of Grant Thornton by the Director - Financial Services in consultation with the partner at Grant Thornton. This was based on a framework for an audit committee to carry out a formal review of the effectiveness and efficiency of their external auditors provided by KPMG in their document 'Shaping the UK audit committee agenda'.

21.3 The Chief Finance and Planning Officer reported that a client relationship review meeting, involving the Chief Finance and Planning Officer, the Director of Financial Services, the Chair of Audit and Risk Committee and Grant Thornton, had taken place on Thursday 7 March 2019. This had been an independent partner review and had therefore taken place with other staff from Grant Thornton not with staff directly responded for the University's audit.

- 21.4 It was understood that the OfS had contacted Grant Thornton concerning the wording of their audit opinion within the financial statements for a number of higher education institutions. Grant Thornton had not reported this formally to the University and concern was expressed that this matter should have been raised with University if it had an impact on University's financial statements (for example, requiring the re-issue of the document). It was agreed to seek further information from Grant Thornton and to request an update from the partner to the next Committee meeting.
- 21.5 The Committee noted that year ended 31 July 2018 feedback indicated that management were content with Grant Thornton's performance.
- 21.6 The Committee concluded that Grant Thornton's performance had been satisfactory.
- 21.7 It was agreed to confirm the requirements in relation to market testing for external audit as set out in the OfS's audit code of practice.
- 21.8 It was agreed to share the paper (A/1/19/11.1) with Grant Thornton following the meeting.

A/19/22 **Date of Next Meeting**

Thursday 6 June 2019 from 3.30pm to 6.30pm