

CONFIRMED MINUTES OF THE AUDIT AND RISK COMMITTEE HELD ON 12 MAY 2022

PRESENT:

Joanna Allen (chair)	Sameer Kothari
Vickie Brown	Matt Lilley
Ian Hall	John Warner

APOLOGIES: None

IN ATTENDANCE:

AGENDA ITEM

Michaela Boryslawskij, University Secretary	All
Louise Bostock, KPMG	All except 1
Richard Calvert, Deputy Vice-Chancellor Strategy and Operations (“DVCSO”)	All except 1
Debbie Mander, Grant Thornton	All except 1
Prof. John Pymm, Director of Development and Diversity	9ii
Prof. David Shepherd, Deputy Vice-Chancellor Academic (“DVCA”)	9ii
Katie Stead, Head of Planning, Risk & Insurance	8
Angela Temple, Governance Senior Adviser (Committee Secretary)	All
Debbie Warr, Interim Director of Finance	All except 1
Deborah Watson, Grant Thornton	All except 1

Agenda item 1

Private Meeting of Committee Members

Minute Ref A/3/22/01

01.1 The University Secretary updated the Committee on progress in relation to the tender for internal audit services. The Committee noted that:

1. at the March 2022 meeting the Committee agreed that the Chair should take Chair’s action on behalf of the Committee to approve the recommendation to the Board of Governors on the appointment of internal auditors;
2. the Chair took action to recommend that PricewaterhouseCoopers (PwC) should be appointed as the University’s internal auditors from 1 August 2022 for a period of three years with the option to extend for two periods of two years (subject to annual performance review each year);
3. the Board approved the recommendation at its meeting on 29 March 2022;
4. work was now ongoing to progress signing the contract and to develop an induction and mobilisation plan for PwC.

01.2 The Committee did not suggest any value-added work that it would like to request from either the external or internal auditors.

01.3 It was proposed to schedule an additional meeting of Audit and Risk Committee to consider a number of matters:

- internal audit reports;
- PricewaterhouseCoopers plan for 2022/23;
- financial risk deep dive – this was originally scheduled for March 2022 but deferred until May 2022 since the Chief Finance and Planning Officer left the University. As the interim Chief Finance Officer was on leave during the May 2022 meeting it has been necessary to further defer. It was felt that this should be considered by the Committee during 2021/22 rather than deferring until September 2022;

- risk appetite statement – the intention had been to discuss this at the May 2022 ARC meeting, however, the risk appetite statement and risk management framework were being reviewed alongside the development of the 2022/23 University Plan. The outcomes of the review would be considered by the Board of Governors in July 2022. An additional meeting of ARC in July 2022 would allow ARC to consider the framework and risk appetite statement prior to consideration of approval by the Board in July 2022.

Members availability for two dates (Tuesday 5 July and Thursday 14 July 2022) was discussed and it was agreed that GLSR would review responses and confirm the meeting in diaries.

Agenda item 3 **Declaration of Interests** Minute Ref A/3/22/02

02.1 There were no declarations of interest.

Agenda item 4 **Chair's Business** Minute Ref A/3/22/03

03.1 The Chair was unable to attend the Board of Governors meeting on Tuesday 24 May 2022 and it was agreed that Matt Lilley would present the ARC chair's report (on business conducted at the meeting) to the Board.

Agenda item 5 **Minutes of Previous Meetings** Minute Ref A/3/22/04
Paper Ref A/2/22/M

04.1 The Committee approved the minutes and the confidential minutes of the meeting held on 10 March 2022.

Agenda item 6 **Matters Arising/Audit and Risk Committee Action Tracker, Version 5 May 2022** Minute Ref A/3/22/05
Paper Ref A/3/22/6

05.1 The Committee received the action tracker and noted the following:

05.2 **A/2/22/5.3: Harassment:** at the March 2022 meeting members were asked to consider, following the 8 March 2022 Protect and Respect session, whether there was any need for ARC scrutiny in relation to harassment etc. It was noted that the Board of Governors would be receiving a briefing on the University's work relation to the Office for Students' expectation for preventing and addressing harassment and sexual misconduct affecting students in higher education. It was agreed that, at this stage, no further action/scrutiny was needed by ARC.

05.3 **A/2/22/11.1: UUK Student Accommodation Code of Practice:** The DVCSO confirmed that he had been assured that there were no wider systemic or governance issues, arising from the high and medium priority recommendations and that contractor performance matters highlighted by the report had been addressed.

05.4 **A/2/22/7.2: Corporate Risk Update:** A minute confidential to the Committee was recorded.

Agenda item 7 **Auditor Audit Matters and Sector Issues Update** Minute Ref A/3/22/06

06.1 The Committee noted the following:

- i. the REF (Research Excellence Framework) results had recently been published. These showed an increase nationally in the percentage of research that was World-leading and an improvement in the University's position in the REF. The University was currently analysing the results and DVCSO noted that the University had improved in key metrics including impact (which was particularly

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- ii. relevant given the University's emphasis on applied research). A report on the REF outcomes would be submitted to the Board of Governors on 24 May 2022; the Office for Students had issued a report on 'Analysis of degree classifications over time: Changes in graduate attainment', which indicated that nearly six in ten first class degrees awarded in 2020/21 could not be explained by a range of factors which may affect attainment;
 - iii. the Office for Students had revised its ongoing conditions of registration B1, B2, B4 and B5 (relating to quality and standards), with the new requirements coming into effect on 1 May 2022;
 - iv. thirty-eight higher education institutions, including Sheffield Hallam University had reached the threshold for strike action (see minute A/3/22/07.2iv below).

Agenda item 8
Paper Ref
A/3/22/8
Confidential

Corporate Risks Update

Minute Ref A/3/22/07

07.1 The Committee considered the report and noted that a review of the corporate risk register had been undertaken and an updated risk register and heatmap produced (Appendix 1).

07.2 A minute confidential to the Committee was recorded.

07.3 In response to questions the following was discussed:

i to vi: minutes confidential to the Committee were recorded.

- vii. was the University monitoring any trends in matters reported to the Office for Students under the reportable events requirements and events reported to other regulators? The University Secretary confirmed that the University logged and monitored OfS reportable events and matters that were considered for reporting. Data protection matters reported to the Information Commissioner's Office would be included in the annual report on data protection which was due to be submitted to the Committee in September 2022. Events reported under RIDDOR were included in the annual health and safety report;
- viii. a member observed that a number of actions in the CRR had been due for completion in April 2022 and asked whether they had been completed? In addition, if a date slipped it would be helpful for the CRR to show initial completion date and adjusted date;
- ix. a member suggested that a KPI showing direction of travel i.e. to show what impact risk mitigations had, would be useful.

07.4 The Head of Planning, Risk and Insurance provided an update on the risk appetite statement and risk management framework work. The work to review the University's risk appetite had progressed in alignment with the University's strategic planning process, following feedback from the Board's strategy day in February 2022. The risk appetite themes had been revised to align with themes in the strategic plan, and appetite levels assigned to each. Members of ARC supported this approach. Work was continuing to develop the risk management framework. This work would be shared with KPMG in June 2022 as part of the annual risk management audit to gather their views and insight. The proposed additional ARC meeting would include a discussion on the risk management framework and the risk appetite prior to consideration by the Board in July 2022.

07.5 The Committee would consider what risk deep dive discussions it would like to hold in 2022/23 following discussion of the risk management framework and risk appetite at the July 2022 meeting.

Agenda item 9iii
Paper Ref
A/3/22/9

Internal Audit Progress Report:

Minute Ref A/3/22/08

- 08.1 KPMG indicated that:
- i. they had completed 123 days against the 262 days for the year 2021/22;
 - ii. draft reports on IT cloud, international student recruitment, CMA and student retention were due to be issued;
 - iii. the Chair of ARC had agreed that the Financial Planning review should be deferred to June 2022. This was because, following last year's financial planning process, the Finance Directorate had implemented improvements and by June 2022 the process would be largely complete allowing KPMG to review the existing process. In addition, there would be better availability of staff within the Finance Directorate in June 2022;
 - iv. the HE apprenticeships audit had previously been postponed pending the outcome of the Ofsted and ESFA audits. In discussion with management, it was proposed that the audit was no longer necessary (minute A/3/22/08.2i below refers);
 - v. as noted at the last meeting KPMG and the DVCSO had discussed possible additional work to review IT assets (minute A/2/22/9.1iv and A/3/22/08.2iv refer). This audit was to consider management of the increased IT equipment provided to staff as a result of home working during the pandemic and which would continue to be used post pandemic as part of hybrid working;
 - vi. in response to a question raised in the March 2022 meeting concerning the way universities had been categorised in the corporate risk benchmarking report, it was noted that Russell Group universities were included in the total pre-1992 category, and this had been clarified in the detailed report on the benchmarking which had been provided to the Committee via the Diligent Resource Centre;
 - vii. KPMG's Higher Education: Update for Audit Committees and Boards had been provided to the Committee via the Diligent Resource Centre.

- 08.2 The Committee approved the following changes to the 2021/22 internal audit plan:
- i. removal of HE apprenticeships audit;
 - ii. removal of the strategic plan delivery audit;
 - iii. deferral of UK partnerships audit to 2022/23;
 - iv. the addition of an audit of IT asset management (15 days).

Agenda item 9i
Paper Ref
A/3/22/9i

Internal Audit Report: Value for Money Framework

Minute Ref A/3/22/09

09.1 The Committee received the final 2021/22 internal audit report on Value for Money Framework, which was an advisory review. It noted that the report identified ways to further enhance the content of the annual value for money report (due to be submitted to Audit and Risk Committee in September 2022).

09.2 During discussion it was noted that the report recommended that the University should identify 'leading' value for money indicators (recommendation 3), and that management had responded stating that no action would be taken as indicators were often only available post year-end and therefore had to be lag indicators. Louise Bostock, KPMG, felt that there were indicators that would be useful which the University should consider. The DVCSO suggested that this might benefit from further discussion between the Head of Strategic Insight and Data and the Chief Finance Officer. The Committee encouraged management to further investigate the use of leading indicators, in consultation with KPMG.

Agenda item 9ii Paper Ref A/3/22/9ii	Internal Audit Report: Degree Awarding Gap	Minute Ref A/3/22/10
10.1	<p>The Committee <u>received</u> the final 2021/22 internal audit report on Degree Awarding Gap (DAG) which was graded ‘significant assurance with minor improvement opportunities’. The report noted that the degree awarding gap (DAG) at the University had been reducing from 19 percentage points in 2017/18 to 14 percentage points in 2020/21, however, the overall DAG was still above the sector average of 10 percentage points (based on the 2019/20 data published by Advance HE in October 2021).</p>	
10.2	<p>The Director of Development and Diversity and the Deputy Vice Chancellor Academic welcomed the report. The Director of Development and Diversity noted that whilst it was positive that the University had implemented a number of actions that were considered good practice the gap between the University’s performance and the sector average remained a concern. A key area of action was to ensure that EDI leads and the University Race Equity Forum (UREF) had power and were able to promote cultural change.</p>	
10.3	<p>During discussion the following was discussed:</p> <ul style="list-style-type: none"> i. the degree awarding gap data related to undergraduate, UK domiciled students only – were there issues that needed considering about matters such as progression into higher degree study, the post graduate degree awarding gap, and support for international students at post graduate level (particularly given the predicted growth in international PG students); ii. it was noted that the remit of EDI leads was wider than simply addressing the DAG issue and the Director of Development and Diversity noted that whilst DAG was an important issue it needed to be addressed as part of this wider programme of EDI work; iii. a member asked whether DAG was covered as part of the corporate risk register. The Deputy Vice Chancellor Academic confirmed that it was covered in the CRR and that it was also covered in the quarterly report to the Board of Governors on KPIs. However, he acknowledged that it may be useful to draw this matter out further in the CRR. 	
Agenda item 10 Paper Ref A/3/22/10	Implementation of Internal Audit Recommendations	Minute Ref A/3/22/11
11.1	<p>The Committee noted that the University Leadership Team continued to scrutinise progress to implement internal audit recommendation. It had received a report on 26 April 2022 and had approved revised completion dates for 2 medium priority recommendations. Following the meeting updates had been obtained for a further 6 outstanding recommendations – with 3 being marked as complete (2 high priority and 1 medium priority) and the extensions agreed by the Deputy Vice-Chancellor, Strategy and Operations for 3 medium priority recommendations. The latest extension agreed was September 2022.</p>	
Agenda item 11 Paper Ref A/3/22/11 Confidential	External Audit: The Audit Plan for Sheffield Hallam University, Year Ended 31 July 2022	Minute Ref A/3/22/12
12.1	<p>The Committee <u>received</u> a report from the external auditors, Grant Thornton, on their plan for the audit of Sheffield Hallam University and its subsidiaries for year ended 31 July 2022. Grant Thornton confirmed their independence in the plan and would reconfirm their independence and objectivity for the year ended 31 July 2022 as part of their final audit report to the Committee. Details of fees for audit and non-audit work were included in the document and would be disclosed in their audit findings report.</p>	
12.2	<p>Grant Thornton, highlighted the following key changes to the external audit approach:</p>	

	<p>i. under ISA (UK) 240 there was a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. The approach to assessing the risk had changed to include the use of data analytics to test standard revenue transactions;</p> <p>ii. in relation to long term loan (accuracy and covenant compliance) Grant Thornton would obtain and review management's assessment of the private placement (entered into during year ended 31 July 2022) against the requirements of Section 11 and 12 in FRS102 and review accounting for the loan based on the conclusion reached;</p> <p>iii. going concern was not considered to be a significant risk for the University. However, the external auditors would continue to re-assess this area.</p>	
12.3	In response to a question, Grant Thornton noted that they were seeking to decrease the amount of non-audit work that they conducted as a firm. In terms of independence, Grant Thornton confirmed they did not have any concerns about independence in relation to the grant audit work conducted. However, moving forward the firm would place all grant audit work within a centralised and dedicated grants team. The Director of Finance reported that the University was investigating whether it could engage other audit firms to conduct some of the non-audit work (minute A/5/21/24.2 refers).	
12.4	The Committee <u>approved</u> the audit plan.	
Agenda item 12 Paper Ref A/3/22/12	Additional Work Carried Out by The External Auditors	Minute Ref A/3/22/13
13.1	The Committee <u>noted</u> the report.	
Agenda item 13 Paper Ref A/3/22/13 Confidential	Update On TPS	Minute Ref A/3/22/14
14.1	The Committee <u>noted</u> the report.	
14.2	A minute confidential to the Committee was recorded.	
14.3	A minute confidential to the Committee was recorded.	
14.4	It was <u>agreed</u> that a verbal update should be provided to either the July 2022 or September 2022 with management to decide on timing.	
Agenda item 14 Paper Ref A/3/22/14	Audit and Risk Committee: Annual Business Cycle 2022/23	Minute Ref A/3/22/15
15.1	The Committee <u>noted</u> the report.	
Agenda item 15	Any Urgent Business	Minute Ref A/3/22/16
16.1	None	
Agenda item 15	Chair's Closing Remarks	Minute Ref A/3/22/17
17.1	As John Warner was not able to attend either of the dates proposed for the meeting in July 2022, this meeting was his last after 8 years as an external co-opted member of ARC. He was thanked for his significant contribution to the work of the Committee during his period of office.	
Agenda item 16	Date of Next Meetings	Minute Ref A/3/22/18
18.1	<ul style="list-style-type: none"> July 2022. <i>Post meeting note</i>: date confirmed as Thursday 14 July 2022, 1600 to 1800 Thursday 29 September 2022, 1600 to 1830 	

