

CONFIRMED MINUTES OF THE MEETING HELD ON 14 MAY 2020

PRESENT:

Prof C Kinsella, Chair	Ms J Allen
Mr C Kenny	Ms K Finlayson
Mr J Warner	

APOLOGIES:

Ms V Brown

IN ATTENDANCE:

AGENDA ITEM

Mr A Bush, KPMG	All except 1
Ms M Boryslawskij, University Secretary and Clerk to the Board of Governors	All
Ms H Boyce, Governance, Legal and Sector Regulation	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 S Hook, Head of Financial Reporting and Compliance	9
Mr M Redfern, Grant Thornton	All except 1
Ms K Stead, Head of Planning, Risk and Compliance	7 and 8
Ms A Temple, Governance Senior Advisor (Minute Secretary)	All

Agenda item 1

Private Meeting of Committee Members

Minute Ref A/20/26

26.1 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 3

Declaration of Interests

Minute Ref A/20/27

27.1 There were no declarations of interests.

Agenda item 4

Minutes of the meeting held on 27 February 2020

Minute Ref A/20/28

Paper Ref
A/2/20/M

28.1 The minutes were approved.

Chair's Opening Remarks

Minute Ref A/20/29

29.1 The Chair welcomed members and attendees to the meeting which was being held via WebEx. He thanked Chris Kenny for chairing the meeting on 27 February 2020.

Agenda item 5

Matters Arising/Audit and Risk Committee Action Tracker, version 5 May 2020

Minute Ref A/20/30

Paper Ref
A/2/20/5

30.1 **A/20/12.1: REF Assurance:** At its last meeting the Committee had agreed that it would consider whether it needed any assurance in relation to the REF following the report on REF to the Board of Governors at its meeting on 17 March 2020. The Committee noted that:

- i. the report to the March 2020 Board of Governors had been deferred;
- ii. the REF process had been delayed in response to the Covid-19 situation;

- iii. the Board of Governors would receive a briefing note on the revised REF timetable at its June 2020 meeting.

The Committee agreed to consider whether any assurance was needed in relation to the University's REF preparations once the revised timetable was confirmed.

- 30.2 **A/20/12.2: TPS Investigation:** The Committee noted that investigatory work in relation to the issue with the TPS pension scheme remained on-going.
A minute confidential to the Committee was recorded.
As agreed at the 27 February 2020 meeting the Committee would be updated between meetings if further significant developments occurred.

Agenda item 7

COVID-19 (CORONAVIRUS) RISKS

Minute Ref A/20/31

- 31.1 The Deputy Vice-Chancellor Strategy and Operations updated the Committee on the University's response to the on-going Covid-19 situation:

- i. the University had ceased all face-to-face activity in March 2020 in response to the situation and had moved all business on-line;
- ii. two governance groups had been established to oversee the University's response: the Gold Group which was focusing on the immediate and shorter-term response to Covid-19; and the Future Strategy Group which was preparing for the future environment and longer-term implications of the situation;
- iii. the Gold Group received full operational risk assessments. Key operational risks included physical safety, staff and student well-being, security, business continuity and IT;
- iv. wider strategic risks included the impact on both domestic and international student recruitment;
- v. the recent Pulse survey of staff experience of remote working had received a c. 65% response rate. The overall staff response had been positive and feedback in the survey would help the University to review future working patterns and use of the workplace;
- vi. Previous investments in IT infrastructure had worked exceptionally well and had been resilient;
- vii. Additional support was being provided for vulnerable students including the provision of IT equipment to facilitate online learning. The University was monitoring engagement with online learning and had conducted a student survey.

Agenda item 8

Risk Management

Minute Ref A/20/32

Paper Ref
A/3/20/8

- 32.1 The Chief Finance and Planning Officer and the Head of Planning, Risk and Compliance presented the revised corporate risk register to the Committee and reported that work had been undertaken to review this in response to the on-going Covid-19 situation:

- i. risk scores had been elevated for finance and funding (CR6) due to the uncertainty of income from both home and international student recruitment (CR4 and CR5);
- ii. the estate risk (CR8) remained high due to the potential reduction in available income to invest in the estates plan. Work was underway to review possible changes to the way the University worked;
- iii. the pace of change in online teaching, learning and assessment, coupled with the cumulative impact of the industrial action, had led to an increasing likelihood of an impact on student outcomes (CR2);
- iv. there was an increasing risk around keeping pace with the need for increased remote working and online delivery of teaching and learning, along with advances in technology (CR9);
- v. four areas of corporate risk had not increased their scores following the review:

-
- a. the quality of teaching had been maintained despite moving online (CR1) and work to review the University's portfolio (CR11) was on track. However, both required close monitoring and timely intervention. These were a key part of planning for the start of the 2020/21 academic year;
 - b. the pragmatic external response to Research and Innovation (CR3) linked to REF and funding, and sector regulation (CR12) linked to OfS, meant that the University was able to manage its response to these risks;
 - vi. Riskscores had reduced for staffing, regional partnerships and OFSTED.
 - a. in relation to the staffing risk (CR7) it was noted that national industrial strike action was in abeyance and the risk of further action at the current time was reduced;
 - b. all OFSTED visits had been suspended, allowing the University more time to prepare (CR13);
 - c. regional partnership work was progressing well through the new Civic University Network (CR10).
-

32.2 It was noted that the 2019/20 internal audit of risk management was scheduled to take place in July 2020 with the report to the September 2020 Audit and Risk Committee meeting.

32.3 During discussion the following comments were made:

- i. the paper was very helpful, including the revised paper template;
 - ii. the University was rethinking its estates strategy in response to the opportunities for new ways of working highlighted by the changed operations in response to Covid-19 and the response of staff to the Pulse survey, which had indicated some staff appetite for more flexible working and/or more home-working in the future. This was being considered by the Gold Group;
 - iii. *were there any risks in breaching the OfS on-going conditions of registration as a result of the Covid-19 situation?* It was noted that the OfS had taken a pragmatic approach to its conditions of registration, including amending some requirements to lighten the burden on HEIs, for example, changes to reportable events requirements, putting some data returns on hold (although the requirement to collect the data remained as this may be required in future returns) and changes to Prevent monitoring. The OfS were consulting on a new, and time-limited, condition of registration concerning the integrity and stability of the higher education sector – this largely related to preventing student recruitment practices which may have a detrimental effect on providers. The University had not identified any risks to breaching the OfS conditions of registration;
 - iv. *had any risks arising from Covid-19 which were specific to the University been identified (as opposed to risk applicable to the whole sector)?* The Deputy Vice-Chancellor Strategy and Operations felt that there were no Sheffield Hallam specific risks and observed that the most vulnerable HEIs were those which relied on international student income, smaller specialist HEIs and those with expensive and large research base (which was subsidised by international student income). The Chief Finance and Planning officer noted that Sheffield Hallam was not reliant on accommodation income or international student fee income and had a relatively comfortable cash balance, when compared with others in the sector;
 - v. the main challenge for the University noted from the survey of students experience of on-line learning was that, whilst the vast majority of students were engaging with the learning, many felt that it did not provide the same experience as on campus learning. The challenge for the University was developing the blended offer for the autumn which meant rethinking course profiles and the sequencing of work
 - vi. A minute confidential to the Committee was recorded.
-

33.1 The Committee noted the progress report and that:

- i. it was proposed to defer the audits of (i) TESOF, (ii) Highly Skilled Employment and (iii) estates masterplan - review – risk ownership and management;
- ii. in relation to the IT - core systems assurance report further discussions had taken place since A/3/20/9 was issued and the University had suggested that conducting the audit in 2019/20 might not be timely. KPMG were considering whether it would be appropriate to defer the audit;
- iii. in relation to the HE apprenticeship audit management in the area had raised concerns relating to the timing of this review given the ongoing preparatory work in revising the OFSTED action plan ready for the OFSTED monitoring and full visit. Management had requested deferral of the audit to September/October 2020, but it was not possible for KPMG to provide the specialist auditor at this time due to other work commitments. KPMG had proposed that the audit could be split into two phases to enable timely consideration of the ESFA data return and management were considering this.

33.2 The Committee agreed:

- i. to the deferral of the following audits (i) TESOF, (ii) Highly Skilled Employment and (iii) estates masterplan - review – risk ownership and management;
- ii. that other changes to the 2019/20 plan in relation to (i) IT - core systems assurance and (ii) HE apprenticeship could be actioned with agreement between KPMG and the Deputy Vice-Chancellor Strategy and Operations without further approval from the Committee.

33.3 **Estates Campus Plan – Procurement (A/3/20/9i):** The Committee received the report which had been tabled at the 27 February 2020 meeting (minute A/20/20 refers).

33.4 **Cash Handling and Treasury Management (A/3/20/9ii):** The Committee received the report. In response to a question concerning whether the University planned to move to operating cashless venues it was noted that cash had already been removed from the sports facilities at the City and Collegiate campuses and that the University would investigate the possibility of extending the removal of cash to other sporting facilities. It was confirmed that removal of cash from premises was undertaken by a security firm. The Head of Financial Reporting and Compliance reported that:

- changes to teams and processes were on-going and KPMG would review practices once the changes were implemented;
- there was a need to ensure appropriate documentation was in place to evidence that procedures were being undertaken;
- training was being put in place for staff who handled cash to ensure that procedures were compiled with.

In relation to the high priority (red) recommendation the Chief Finance and Planning Officer observed that the total cash collected at the venue was a relatively small amount.

33.5 **Income and Debtors (A/3/20/9iii):** The Committee received the report which had been rated 'significant assurance with minor improvements required'.

33.6 **Restructure of Research Governance and Strategy (A/3/20/9iv):** The Committee received the report and noted that the report included follow-up work of the Commercialisation of Research audit (undertaken in 2018/19) with section 3 setting out progress against the previous recommendations. The report was graded 'partial assurance with improvements required'. It was noted that there was a new Pro Vice-Chancellor for Research and Innovation and it was

agreed to invite her to attend the Committee in November 2020 or February 2021 to discuss the research and innovation risk.

Agenda item 10	Report on Implementation of Internal Audit Recommendations	Minute Ref A/20/34
Paper Ref A/2/20/10		

34.1 Ms K Finlayson joined the meeting.

34.2 The Committee received a report on progress to implement some of the outstanding recommendations made by the internal auditors in 2017/18, 2018/19 and 2019/20.

34.3 It was noted that the following recommendations had been implemented:

- i. recommendation 3 in the 2019/20 TRAC report;
- ii. recommendations 6, 10 and 11 in the 2017/18 overseas partnerships audit report (as reported verbally at the meeting on 27 February 2020: A/20/22.7 refers);
- iii. recommendation 2 of the 2018/19 business readiness report.

34.4 The Committee agreed revised completion dates for:

- i. recommendation 2 of the 2017/18 international student recruitment report;
- ii. recommendation 1 and 5 of the 2017/18 effectiveness of staff appraisal report;
- iii. recommendation 3 of the 2017/18 senior officer remuneration, expenses and other benefits report;
- iv. recommendation 9 of the 2017/18 overseas partnerships audit report.

Agenda item 11	Internal Audit Plan 2020/21	Minute Ref A/20/35
Paper Ref A/2/20/11		

35.1 The Chair suggested that the approach to approving the plan for 2020/21 should be the same as used for 2019/20 whereby the Committee formally approved phase 1 in September 2020 and approved later phases at future meetings. The Chair felt that there was an on-going need to have a flexible approach to internal audit to ensure appropriate areas were audited.

35.2 The following areas were suggested for inclusion in the plan for 2020/21:

- Cyber security and IT robustness and resilience
- Student well-being
- Financial resilience and planning
- Estates
- Teaching delivery – including on-line delivery
- New ways of working – how are management capturing the benefits and opportunities? Are there issues arising from these new ways of working that require assurance? It was noted that the Future Strategy Group (A/20/31.1ii refers) was considering new ways of working matters such as workforce, technology and working in a agile manner.

35.3 In response to a question about how the audits would be conducted during a period of predominantly remote working, it was noted that:

- KPMG had electronic access to University systems such as SharePoint;
- where information was not available (due to remote working) KPMG would consider the scope and amend as necessary;
- KPMG would seek to focus on work which could be conducted remotely in the early phase of the 2020/21 programme;
- a key focus of planning discussions with managers would be how the work could be effectively undertaken;

- it was likely that the time between the start of an audit and final report would be longer than under normal circumstances. However, KPMG anticipated being able to keep to total budget days for each audit.

35.4 KPMG would undertake further discussions with members of ULT and present the proposed 2020/21 plan to the September 2020 meeting.

Agenda item 12
Paper Ref
A/2/20/12
confidential

External Audit: The Audit Plan for Sheffield Hallam University, Year Ended 31 July 2020 (Draft)

Minute Ref A/20/36

36.1 The Committee received the 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 2020. Grant Thornton confirmed their independence in the plan and would reconfirm their independence and objectivity for the year ended 31 July 2020 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.

36.2 Grant Thornton's audit approach was based on an assessment of the audit risk relevant to the individual elements of the financial statements. The focus of their audit effort was on areas deemed of highest risk of material misstatement. Grant Thornton had identified three 'significant risks'. Two 'significant risks' (i.e. that the revenue cycle included fraudulent transactions (revenue recognition risk) and that management over-ride controls) were standard risks for the sector as defined and mandated in auditing standards. The pension provision 'significant risk' was a risk which applied across all Grant Thornton's higher education institution clients and all organisations with defined benefits pension schemes.

36.3 The most significant challenge for the audit would be the need to work remotely. Grant Thornton were confident that they would be able to conduct the audit. The use of the on-line portal for sharing information – which had been used for the audit of financial statements for year ended 31 July 2019 - would help facilitate this. Grant Thornton were aware that a reduced number of face-to-face meetings would affect the way they collected information from individuals and they would be mindful of the need to look for situations in the new way of working that might lead to increased fraud.

36.4 It was noted that the Office for Students' Accounts Direction for accounting periods beginning on or after 1 August 2019 had set the deadline for submission of final annual and report and financial statements as five months from year end (i.e. the end of December 2020). Grant Thornton were committed to meet the University's timetable to sign-off the financial statements by the end of November 2020.

36.5 As a result of Covid-19 the Financial Reporting Council had explicitly stated that they believed that it was likely that more entities would disclose 'material uncertainties' in relation to going concern. The University was working on the budget for 2020/21 which would incorporate the financial impacts of Covid-19. In addition, management were performing stress testing over a number of scenarios and Grant Thornton would review this as part of their work on going concern. It was noted that management would prepare a comprehensive going concern paper to support the basis of preparation of the financial statements and the related disclosures. To form part of their work on going concern Grant Thornton would consider all the issues raised above and how these has been factored into scenario planning and stress testing. They would also review the disclosures within the financial statements to ensure they appropriately reflected the risks and uncertainties faced by the Group. Grant Thornton had implemented a central process to review going concern such that all going concern work would be reviewed by a central team within the firm. The Committee were assured by this action which would provide an additional level of assurance.

- 36.6 Loan covenant compliance would be considered as part of the audit. As part of the consideration of this risk Grant Thornton would:
- update their understanding of processes in relation monitoring of covenant compliance;
 - review management's calculations of covenant compliance and confirm that these were appropriately calculated in line with the terms of the loan agreements and agree calculations to underlying accounts;
 - consider forecast headroom on loan covenants as an essential part of their going concern review.

(Minute A/20/32.3vi also refers)

- 36.7 As a result of the OfS Accounts Direction 2019 there were two new notes required within the financial statements:
- Grant fee income note
 - Access and participation note

Grant Thornton were working with the BUFDG Financial Reporting Group to determine the level of audit work required, as these were specifically referred to in their audit opinion and may need auditing to a lower materiality. Grant Thornton would update the Committee concerning the work to be completed once this had been finalised.

- 36.8 In response to a question Grant Thornton confirmed that they had not identified any gaps or issues with previous audit work at Sheffield Hallam as a result of the lessons learned from their FRC annual quality inspection.

- 36.9 The Committee approved the audit plan.

Agenda item 13
Paper Ref
A/2/20/13

Audit and Risk Committee: Terms of Reference

Minute Ref A/20/37

- 37.1 A new term of reference was proposed which would clarify responsibilities in relation to escalating a risk to the corporate risk register (CRR) such that:
- if an Executive Board wished to escalate a risk to the CRR, or to propose a change to an existing risk, this should be raised with the University Leadership Team (ULT) for consideration and decision. This would ensure institutional senior management oversight of the CRR as a whole, which will help to ensure that any implications on other areas of the CRR, arising from a change to an individual risk could be fully considered; and
 - any revisions to the CRR should then be presented to the next meeting of ARC.

- 37.2 The Committee agreed to recommend a new term of reference to the Board of Governors for approval:

With respect to risk:

- to consider the Corporate Risk Register (CRR) and the Assurance Framework, and to provide assurance to the Board of Governors that the executive's identification and assessment of key strategic risks is appropriate and in line with Board's appetite for risk;
- to receive presentations on the University's significant strategic risks and their management.

Agenda item 14
Paper Ref
A/2/20/14

Additional Work Carried out by the External Auditors

Minute Ref A/20/38

- 38.1 The Committee noted the report and did not raise any questions or comments.

Agenda item 15
Paper Ref
A/2/20/15

KPMG Higher Education Technical Update (Spring 2020)

Minute Ref A/20/39

39.1 The Committee noted the report and did not raise any questions or comments.

Agenda item 16
Paper Ref
A/2/20/16

**Audit and Risk Committee: Annual Business Cycle – To end
of 2020**

Minute Ref A/20/40

40.1 The Committee noted the report and did not raise any questions or comments.

Agenda item 17

**Audit and Risk Committee: Review of Committee
Effectiveness**

Minute Ref A/20/41

41.1 The Committee noted that KPMG had agreed to assess the Audit and Risk Committees effectiveness during summer 2020 with a report to the Committee at its September 2020 meeting. The Committees preference was that the review should be conducted by an independent partner/manager at KPMG.
