

CONFIRMED MINUTES OF THE MEETING HELD ON 20 MAY 2021

PRESENT:

Ms J Allen (Chair)	Prof C Kinsella
Ms K Finlayson (for item 8 onwards)	Mr J Warner

APOLOGIES: Ms V Brown

IN ATTENDANCE:

AGENDA ITEM

Mr A Bush, KPMG	All except item 16
Ms M Boryslawskij, University Secretary and Clerk to the Board of Governors	All
Mr R Calvert, Deputy Vice-Chancellor Strategy and Operations	All except item 1
Ms K Doherty, Grant Thornton	All except item 16
Ms D Harry, Chief Finance and Planning Officer	All except item 1
Dr S Jackson, Chief People Officer	Items 9, 10
Mr R Nurrenabi, Head of Pensions Development and Payroll	Item 10
Mr M Redfern, Grant Thornton	All except item 16
Ms K Stead, Head of Planning Risk & Compliance	Items 8, 9
Ms L Stevenson, Head of HROD – Organisational Performance and Culture	Item 9
Ms A Temple, Governance Senior Advisor (Minute Secretary)	All

Agenda item 1

Private Meeting of Committee Members

Minute Ref A/3/21/1

1.1 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.

1.2 A minute confidential to the Committee was recorded.

Agenda item 3

Declaration of Interests

Minute Ref A/3/21/2

2.1 There were no declarations of interest.

Agenda item 5.1

Minutes of the meeting held on 11 February 2021

Minute Ref A/3/21/3

Paper Ref

A/2/21/M

3.1 The minutes were approved

Agenda item 5.2

Confidential minutes of the meeting held on 11 February 2021

Minute Ref A/3/21/4

Paper Ref

A/2/21/M

Confidential

4.1 The minutes were approved

Agenda item 6

Matters Arising/Audit and Risk Committee Action Tracker, Version 05 May 2021

Minute Ref A/3/21/5

Paper Ref

A/3/21/6

5.1 The Committee received the action tracker.

5.2 **A/21/13.5 (11 February 2021): Data Breach:** A minute confidential to the Committee was recorded.

Agenda item 7

Auditor Audit Matters and Sector Issues Update

Minute Ref A/3/21/6

Paper Ref

A/3/21/7

- 6.1 The external auditors highlighted the following issues:
- i. the Department for Business, Energy and Industrial Strategy (BEIS) consultation on ‘Restoring trust in audit and corporate governance’ may have significant impact on the external audit regime applicable to higher education providers. The consultation proposed classing large third sector entities (including HEIs) as Public Interest Entities (PIEs);
 - ii. external audit firms in HE had seen an increasing volume of compliance work required of them. This, coupled with recruitment problems, was leading some firms to take decisions to focus their work in more profitable areas of work which were also deemed to be lower risk than external audit services.

- 6.2 The internal auditors highlighted the following issues:
- i. cyber security remained an issue for the sector with an increasing number of attacks on higher education. It was noted that the University recognised that cyber security was a high-risk area for the institution;
 - ii. the Department for Education’s Skills for Jobs white paper, which proposed a closer relationship between colleges and employers, was likely to lead to more collaborative work between FE and HE;
 - iii. the government’s plans to consult on further reforms to the higher education system in Spring 2021, before setting out a full response to the report and final conclusion to the Review of Post-18 Education and Funding (the Augar Review) alongside the next Comprehensive Spending Review;
 - iv. KPMG had published a study: The Future of Higher Education in a Disruptive World;
 - v. guidance issued to the Office for Students in January 2021 in respect of the allocation of higher education teaching grant funding for English higher education providers the 2021/22 financial year was likely to have an impact on funding;
 - vi. a number of University’s were considering how to implement the suggestion in the CUC’s Audit Code of Practice that Audit Committee’s should consider culture within the institution (see paper A/3/21/15)

- 6.3 In response to a question the following was noted:
- i. cyber-attack activity, including near misses, was tracked by the University with updates submitted to the Deputy Vice Chancellor Strategy and Operations on significant attempts. An example was given of a matter that had been recently escalated to the DVC at a weekend.

Agenda item 8

Corporate Risks Update

Minute Ref A/3/21/7

Paper Ref

A/3/21/8

7.1 The Committee considered the report as part of its remit to provide assurance to the Board of Governors that the University was exercising adequate control of risks through the active planning, management and assessment of risk in relation to its activities. The Committee noted that a review of the corporate risk register had been undertaken and an updated risk register and heatmap had been produced (Appendix 1).

7.2 A minute confidential to the Committee was recorded.

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<p>Agenda item 9 Paper Ref A/2/21/9 Confidential</p>	<p>Staffing Corporate Risk</p>	<p>Minute Ref A/3/21/8</p>
<p>8.1 The Chief People presented an overview of the staffing corporate risk. A minute confidential to the Committee was recorded.</p>		
<p>8.2 A minute confidential to the Committee was recorded.</p>		
<p>Agenda item 10 Paper Ref A/3/21/10 Confidential</p>	<p>Update on TPS</p>	<p>Minute Ref A/3/21/9</p>
<p>9.1 The Committee <u>received</u> an update on the TPS investigation and a minute confidential to the Committee was recorded.</p>		
<p>Agenda item 11 Paper Ref A/3/21/11i</p>	<p>Internal Audit Progress Report</p>	<p>Minute Ref A/3/21/10</p>
<p>10.1 The Committee <u>received</u> a report on progress with the 2020/21 internal audit programme. It noted that KPMG had delivered 88 days against the original plan of 210 days for 2020/21 (which included 43 days deferred from 2019/20). As previously noted the financial planning audit (15 days) had been deferred to 2021/22 (A/2/21/21.2ii refers). Following consultation with the Chair it had been agreed to defer the TESOF audit (10 days) to 2021/22 on the basis that the external policy landscape suggested that the anticipated changes to this framework following the Governments response would not be forthcoming in 2020/21.</p>		
<p>10.2 It was noted that a number of audits (c. 4 to 5) were expected to be completed by the end of July 2021. It was <u>agreed</u> that completed internal audit reports should be circulated to the Committee following consideration by the University Leadership Team. These audits would be noted at the September 2021 ARC and any issues could be discussed</p>		
<p>10.3 As noted under the staffing risk discussion (A/3/21/8 refers) the University had taken a light touch to personal development reviews (PDRs) during 2020/21. Management advised that, given the position in 2020/21, it would not be an appropriate time to conduct an audit of staff appraisals. Furthermore, the University did not have a Learner Management System in place meaning that it could not actively monitor completion of appraisals as a manual system would be required (which could not be staffed). It was <u>agreed</u> to defer the appraisal audit to 2021/22.</p>		
<p>10.4 As a number of audits had been deferred it was <u>agreed</u> that the Deputy Vice Chancellor Strategy and Operations and the University Secretary should liaise with KPMG to consider whether the unused days for 2020/21 should be used for alternative internal audit work.</p>		
<p>Agenda item 11i Paper Ref A/3/21/11ii</p>	<p>Internal Audit Progress Report -Highly Skilled Employment</p>	<p>Minute Ref A/3/21/11</p>
<p>11.1 The Committee <u>received</u> the final 2020/21 internal audit report on Highly Skilled Employment. In response to a question Andy Bush, KPMG, confirmed that he was content that the assurance level allocated to the report (i.e., significant assurance with minor improvement opportunities) was appropriate. Although there were five medium priority recommendations these related to action to consolidate ongoing work and ensure greater transparency and visibility of the work in this area.</p>		

A/3/21/12 12	Internal Audit Plan 2021/22	Minute Ref A/3/21/12
12.1	The Committee <u>received</u> a report from KPMG setting out work to date to review the proposed internal audit plan for 2021/22. As with 2020/21 it was noted that the internal audit plan needed to be flexible to respond the changing environment. KPMG would work closely with management to ensure that the plan agreed could be changed as and when required.	
12.2	As agreed under minute A/3/21/10.3 (above) the appraisals audit would be added to the plan for 2021/22.	
12.3	It was noted that it may be necessary to further defer the TESOF internal audit depending on progress by the Government to implement the recommendations made by the Independent Review of the Teaching Excellence and Students Outcomes Framework (minute A/3/21/10.1 refers).	
12.4	<p>The following comments were made in relation to the 2021/22 internal audit work:</p> <ul style="list-style-type: none"> i. should an audit/audits be added to consider of culture, sustainability and ethics to reflect the proposed extended remit of the Committee (minute A/3/21/15.4ii refers). In relation to culture, it was noted that an audit of culture could consider mapping the staff survey questions onto a soft controls framework (i.e., a framework to help an organisation understand, identify, measure and monitor organisational culture. KPMG’s framework consisted of a number of elements, also called soft controls, which were an integral part of an organisation’s control environment and should consequently be subject to review by internal auditors). It could also consider metrics to measure culture; ii. it may be helpful to consider the challenges of working in a virtual world, for example, the Board and internal audit not seeing people in-person; iii. cyber security and IT resilience was a key area for internal audit, and it may be necessary to include more days within the plan; iv. work was on-going on portfolio review (minute A/3/21/7.1v refers) and it would be helpful to undertake a review in 2021/22. It was suggested that this could be a check on the on-going process, including how it had been set up and was being managed. It could also consider whether the process was sufficiently rigorous and whether it was understanding and assessing the costs and benefits appropriately; v. in relation to the data management work it was agreed that KPMG should have early discussions with the Planning team with a view to conducting the work towards the end of 2021/22; vi. it was suggested that the risk management review should consider the risk appetite and risk management process as the University emerged from the pandemic. It was noted that KPMG were undertaking Dynamic Risk Assessment (DRA) with other organisations and this might be a suitable approach to consider for the University’s risk management audit as it provided an alternative way of considering the risk register. 	
12.5	In relation to culture and the staff experience survey (minute A/3/21/12.4i refers) it was agreed to share details of the staff pulse survey with KPMG.	
12.5	It was noted that, prior to submission of the proposed strategy and plan for 2021/22 for approval by the Committee in September 2021, the aggregate risk would be updated by KPMG.	

Agenda item 13	Implementation of Internal Audit Recommendations	Minute Ref A/3/21/13
Paper Ref A/3/21/13		

- 13.1 The Committee received a report on the revised process for obtaining updates from managers on progress to implement internal audit recommendations. It noted that:
- i. the process of collecting updates had been amended to use automated reminders;
 - ii. an additional stage of reporting to University Leadership Team (ULT) had been introduced, for ULT to review overdue recommendations and to agree requests for extension of completion dates/actions marked as superseded. In addition, ULT noted where actions had been marked as implemented and also considered action where managers had not provided updates;
 - iii. ULT had received two reports on progress to implement recommendations. Following both of these ULT members had followed-up managers who had not provided updates to the tracker.
 - iv. it was noted that a number of updates had been made to the tracker since the report had been prepared for the Committee and an update would be provided to the Committee;
 - v. the Committee expressed a desire that updates should be provided for all high priority recommendations. In particular, concern was expressed that there was no update for the high priority recommendations in the (2018/19 IT operational controls and resilience review). In relation to these high priority recommendations, it was agreed that the Deputy Vice-Chancellor Strategy and Operations would follow-up again with relevant manager to ensure that the tracker was updated.

Angela Temple, GLSR and Louise Bostock, KPMG were thanked for their work to revise the tracking process.

Agenda item 14	External Audit: The Audit Plan for Sheffield Hallam University, Year Ended 31 July 2021 (Draft)	Minute Ref A/3/21/14
Paper Ref A/3/21/14		
Confidential		

14.1 The Committee received 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 2021. Grant Thornton confirmed their independence in the plan and would reconfirm their independence and objectivity for the year ended 31 July 2021 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. It was noted that if the recommendations in relation to Public Interest Entities (PIEs) set out in the Department for Business, Energy and Industrial Strategy (BEIS) consultation (minute A/3/21/6.1i refers) were implemented some of the additional work set out in report would not be permitted in future, although these did not impact on independence at present.

14.2 The report set out key matters impacting on their audit approach including updated International Auditing standards which included additional work and a statement in the auditors' report concerning the legal and regulatory framework. This covered assessment of laws and regulations and fraud.

14.3 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.

14.4 In relation to the going concern assessment, it was noted that the University had included a detailed statement in the Annual Report and Financial Statements for the year ended 31 July 2020 and had been an early adopter of the standard.

14.5 The Committee approved the audit plan.

Agenda item Paper Ref A/3/21/15	15 Review of Audit and Risk Committee Operation	Minute Ref A/3/21/15
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15.1 The Committee received a report on the operation of the Audit and Risk Committee which considered (i) the requirements of the CUC Audit Code of Practice (the Audit Code) and (ii) KPMG's Audit Committee effectiveness review.

15.2 In relation to KPMG's effectiveness review it was noted that an action plan to address the recommendations in KPMG's report would be presented to the next meeting of the Committee so that it could be progressed in parallel with wider work to review governance arising from the recent Board effectiveness review and the work to map compliance against the wider CUC Higher Education Governance Code (September 2020) (the Governance Code). It was important when considering the Audit and Risk Committees role that the wider framework of governance was considered to ensure that ARC's role was clearly defined, appropriate and consistent with the remit of other committees. In addition, there were some matters raised via the review of compliance with the Audit Code which needed to be considered against the wider governance review work, for example, how to appropriately integrate culture, ethics and sustainability issues into the University's governance structures, including the role of ARC in these matters.

15.3 It was noted that a review of Board effectiveness, conducted by Advance HE, was received by the Board of Governors at its meeting in March 2021 (BG/2/21/6.8). The review did not raise any specific recommendations in relation to Audit and Risk Committee effectiveness. The Board Effectiveness Working Group (BEWG) was considering the Advance HE report and any actions for ARC arising from the BEWG work would be taken forward as appropriate with the Committee.

15.4 The Committee agreed:

- i. to adopt the practice of having an auditor only agenda item at the start of the meeting and a management only item at the end (para 22 of the Audit Code);
- ii. to recommend to the Board of Governors approval of the revised terms of reference for the Committee? (appendix 2). Subject to Board approval the revised terms of reference would take effect from 1 August 2021.

Agenda item Paper Ref A/3/21/16 Confidential	16 Tender for Internal and External Audit	Minute Ref A/3/21/16
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16.1 Staff from KPMG and Grant Thornton left the meeting.

16.2 The Committee received a report and a minute confidential to the Committee was recorded.

Agenda item Paper Ref A/3/21/17	17 Additional Work Carried Out by the External Auditors	Minute Ref A/3/21/17
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17.1 The Committee noted the report.

Agenda item Paper Ref	18 Audit and Risk Committee: Annual Business Cycle 2021/22	Minute Ref A/3/21/18
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A/3/21/18		
18.1 The Committee <u>noted</u> the business cycle for 2021/22.		
Agenda item 19	Chair's Closing Remarks	Minute Ref A/3/21/19
<p>19.1 The Chair reported that:</p> <ul style="list-style-type: none"> • Karen Finlayson was stepping down from the Board of Governors and therefore Audit and Risk Committee (ARC) on 31 July 2021. Karen had been a member of ARC since 1 April 2017. • the meeting was Chris Kinsella's last meeting as he would reach his maximum term of office on the Board of Governors on 31 July 2021. He had been a member of Audit and Risk Committee since 1 August 2013 (i.e., 8 years) and had been chair of ARC from 1 January 2016 to 31 January 2021. <p>Both were thanked for their significant contribution to the work of the Committee during their time as members.</p>		
19.2 It was noted that action was in hand to fill vacancies on the Board of Governors arising from members retirement from the Board with proposals due to be submitted to the Board on 6 June 2021. Following appointment of new members, the Nominations Committee would consider Committee membership.		
Agenda item 20	Date of Next Meeting	Minute Ref A/3/21/20
20.1 TBC		
Post meeting note: Thursday 30 September 2021, 1600 to 1830		