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| **CONFIRMED MINUTES OF THE MEETING HELD ON 16 NOVEMBER 2023** | | | | |
| PRESENT: | | | | |
| **Audit and Risk Committee (ARC)** | | **Finance and Employment Committee (FEC)** | | |
| Joanna Allen (ARC Chair) | | Gabrielle Berring | | |
| Sameer Kothari | | Carol Bernard | | |
| Ian Hall | | John Cowling (FEC Chair) | | |
| Matt Lilley | | Janet Onyia (for item 4 onwards) | | |
| Theresa Spencer | | Giles Searby | | |
| IN ATTENDANCE: | | | AGENDA ITEM | |
| Michaela Boryslawskyj, University Secretary | | | All | |
| Hannah Boyce, Governance Adviser Observer) | | | All | |
| Ali Breadon, PwC | | | All | |
| Richard Calvert, DVC Strategy and Operations (DVCSO) | | | All | |
| Clair Marlow, Head of Legal Services & Deputy University Secretary | | | All | |
| Ryan Keyworth, Chief Finance Officer (CFO) | | | All | |
| Abi Smethurst, Grant Thornton | | | All | |
| Tracey Taylor, Governance Senior Advisor | | | All | |
| Angela Temple, Governance Senior Adviser (Committee Secretary) | | | All | |
| Deborah Watson, Grant Thornton | | | All | |
| APOLOGIES: ARC: Mohammed Hannan; FEC: Professor Sir Chris Husbands | | | | |
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| Minute Ref | Item of Business | | | Paper Ref |
| ARC\_J\_2023\_11\_16\_1  FEC\_J\_2023\_11\_16\_1 | DECLARATIONS OF INTEREST | | |  |
| 1.1 | There were no declarations of interest. | | | |
| ARC\_J\_2023\_11\_16\_2  FEC\_J\_2023\_11\_16\_2 | CHAIRS’ BUSINESS | | |  |
| 2.1 | The Chair ARC drew members attention to the guidance note (ARC\_J\_2023\_11\_14\_P8 and FEC\_J\_2023\_11\_14\_P8) setting out the Committees’ respective roles in considering the draft Annual Report and Financial Statements (ARFS). The Committees **noted** the report. | | | |
| 2.2 | The Chair of ARC reported that ARC had considered its opinions on risk management, control and governance; value for money; data quality and management; and arrangements for the financial sustainability of the institution, prior to this meeting and that the Committee was able to confirm that arrangements for these matters for 2022/23 and to date were adequate and effective. A report would be submitted to the Board of Governors on 28 November 2023 prior to the Board’s consideration of the ARFS. | | | |
| ARC\_J\_2023\_11\_16\_3  FEC\_J\_2023\_11\_16\_3 | THE UNIVERSITY’S APPROACH TO GOING CONCERN ASSESSMENT | | | ARC\_J\_2023\_11\_16\_P3  FEC\_J\_2023\_11\_16\_P3  CONFIDENTIAL |
| 3.1 | The CFO presented the report providing an assessment of the University’s ability to operate as a going concern. FEC were asked to recommend to the Board of Governors that it was appropriate for financial statements for 2022/23 to be prepared on a going concern basis. | | | |
| 3.2 | The CFO highlighted the following in relation to assessing the University's ability to operate as a going concern:   1. the University’s external auditors, Grant Thornton, had sought significant assurance in relation to going concern; 2. forecasts for 2023/24 and 2024/25 indicated that the University would be able to meet all banking financial covenants; cash flow requirements (including the Campus Plan); loan repayments; and operational requirements; 3. in relation to covenants, scenario analysis had been undertaken to test the sensitivity of each covenant to changes in the underlying assumptions to determine what changes to the University’s key variables could result in a breach. A minute confidential to the Committees was recorded; 4. there was no pending litigation that would result in a significant cost to the University, or significant reputational damage that would alter the going concern assessment. | | | |
| 3.3 | Deborah Watson, Grant Thornton, outlined the ongoing work being undertaken by the external auditors to review the going concern assessment. A minute confidential to the Committees was recorded.  Following the conclusion of the work, the engagement partner would review the disclosures within the ARFS to ensure that they remained clear and transparent and whether additional disclosures were needed. The work to review the going concern assessment was ongoing with further queries likely to management, however, it was on target for completion in time for the outcomes to be reported to the Board of Governors at its meeting on 28 November 2023 | | | |
| 3.4 | In response to questions the following was noted:   1. A minute confidential to the Committees was recorded; 2. A minute confidential to the Committees was recorded; 3. A minute confidential to the Committees was recorded; 4. in relation to covenant compliance the CFO received monthly monitoring reports; 5. Debbie Watson confirmed that information provided by management had been good. Grant Thornton did not see the full picture of the governance processes in place for assessing financial performance during the year (as they did not attend FEC). DW requested an update on the FEC discussion of the 5-year OfS forecast discussion from the chair of FEC following consideration of the item at the FEC meeting immediately following the joint meeting. | | | |
| 3.5 | **ARC** **noted** the report on the going concern assessment. | | | |
| 3.6 | **FEC** resolved to **recommend** to the Board of Governors that it was appropriate for the financial statements for 2022/23 to be prepared on a going concern basis. However, this recommendation was subject to Grant Thornton completing their going concern review and confirming that the going concern basis for preparation of the financial statements was appropriate. | | | |
| ARC\_J\_2023\_11\_16\_4  FEC\_J\_2023\_11\_16\_4 | GRANT THORNTON: AUDIT FINDINGS FOR SHEFFIELD HALLAM UNIVERSITY | | | ARC/J/2022-11-14/P4FEC/J/2022-11-14/P4CONFIDENTIAL |
| 4.1 | Grant Thornton presented their draft audit findings for the University and its subsidiaries for the year ended 31 July 2023 (version dated 2 November 2023). The external audit work was largely complete, with the following work on-going:completion of quality review process;going concern assessment, including review of disclosures within the financial statements (minute ARC\_J\_2023\_11\_16\_3.3 and FEC\_J\_2023\_11\_16\_P3.3 refer);completion of testing on the pensions scheme assets;review of the updated financial statements;post balance sheet event review (up to the date of signing); and  1. receipt of letter of representation (minute FEC+ARC\_J\_2023\_11\_16/5 refers). | | | |
| 4.2 | The following was highlighted by Grant Thornton:  1. the process of external audit had run smoothly with timely responses from management; 2. the findings of the work had resulted in one new control recommendation, which was low compared to other HE clients and indicated an effective control environment was in place at the University; 3. nine prior year recommendations had been brought forward for review and they had confirmed that seven had been completed with the remaining two in progress. The two outstanding previous year control recommendations did not have an impact on the ongoing going concern work; 4. they had obtained the FRS 102 pensions report from the LGPS scheme actuary and had obtained direct confirmation from the pension fund in relation to certain elements of the data for the scheme; 5. two audit adjustment had been made within the financial statements and colleagues from Grant Thornton were content with this; 6. four unadjusted misstatements were reported in their Audit Findings Report. These were not material and were identified late in the audit process, so it had been decided not to adjust; 7. in relation to the risk assessment undertaken as part of the audit planning, they had not had to change their audit approach, other than removing payroll (accuracy) as a risk area following reassessment of the inherent risk in this area; | | | |
|  | 1. they had undertaken a robust challenge on the valuation of fixed assets and impairment as a risk area due to the potential impact of the estates masterplan on impairment risks 2. colleagues from Grant Thornton thanked the team within the Finance Directorate for their work to support the external audit including their responsiveness. | | | |
| 4.3 | Grant Thornton confirmed that there were no significant facts or matters that impact on their independence as auditors that they were required or wished to draw to the University’s attention, and they considered that an objective reasonable and informed third party would take the same view. The firm and each covered person had complied with the Financial Reporting Council’s Ethical Standard, and they confirmed that they were independent and were able to express an objective opinion on the financial statements. | | | |
| 4.4 | Grant Thornton sought confirmation from those present that there were no occurrences of fraud or litigation and/or claims of which they were aware that should be declared to the external auditors. No matters were declared. | | | |
| 4.5 | The CFO thanked colleagues within the Finance Directorate for their work to support the external audit process and thanked Grant Thornton for their ongoing work. | | | |
| 4.6 | Subject to the completion of the outstanding external audit work, including the review of going concern (minute ARC\_J\_2023-11\_15\_3.3/FEC\_2023\_11\_16\_3.3 refer), Grant Thornton intended to issue an unmodified audit opinion on the consolidated financial statements of Sheffield Hallam University and on the financial statements for its trading subsidiaries, Sheffield Hallam University Enterprises Ltd (SHUEL), Sheffield Hallam Innovation and Enterprise Limited (SHInE) and SHU Law Limited (SLL). | | | |
| ARC\_J\_2023\_11\_16\_5  FEC\_J\_2023\_11\_16\_5 | LETTERS OF REPRESENTATION IN RELATION TO THE EXTERNAL AUDIT | | | ARC\_J\_2023\_11\_16\_P5  FEC\_J\_2023\_11\_16\_P5 CONFIDENTIAL |
| 5.1 | The Committees received the report which included the draft letter of representation to be signed by the Chair of the Board of Governors on behalf of the University. It was noted that the Board would be provided with a reciprocal letter of representation from the University to the Board. The purpose of this reciprocal letter was to provide the Board with assurance that the University has met all the requirements set out in the letter to the external auditors before the Board agreed that the Chair of the Board should sign the letter of representation to Grant Thornton. The University had a process in place to ensure that the Board received appropriate assurances in order to provide the letter to Grant Thornton. In response to a question, Debbie Watson (DW), Grant Thornton, confirmed that the statements in the letter were standard declarations expected of all higher education providers with specific statements for the University in relation to:   1. the actuarial assumptions underlying the valuation of pension scheme liabilities; 2. going concern; and 3. the judgement made in relation to the Local Government Pension Scheme surplus.   Points 5.1.1 and 5.1.2 were included in the previous year's letter of representation. Point 5.1.3 was a new declaration for 2022/23. DW indicated that the text of the letter was not likely to change before signing. | | | |
| ARC\_J\_2023\_11\_16\_6  FEC\_J\_2023\_11\_16\_6 | DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS AND SUBSIDIARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023 | | | ARC\_J\_2023\_11\_16\_P6  FEC\_J\_2023\_11\_16\_P6 CONFIDENTIAL |
| 6.1 | The Chief Finance Officer presented the report which contained the Draft Annual Report and Financial Statement (ARFS). It was noted that:   1. additional reporting had been included in the ARFS concerning environmental sustainability/climate action strategy as part of best practice to include non-financial reporting into the ARFS 2. the level of cash balances shown in the ARFS was high as the University was part way through the campus development; 3. the Board meetings for the subsidiary companies had taken place and the subsidiary financial statements had been approved; 4. A minute confidential to the Committees was recorded; 5. A minute confidential to the Committees was recorded; 6. the auditors required Letters of Support for the two subsidiaries that were trading, SHUEL and SHInE. These letters would be signed by the Chair of the Board of Governors, prior to Grant Thornton signing the audit reports. | | | |
| 6.2 | It was **agreed** that members should submit comments on the ARFS as soon as possible to enable them to be considered, and incorporated as appropriate, into the version of the ARFS to be submitted to the Board of Governors on 28 November 2023. | | | |
| 6.3 | **FEC resolved to recommend** to the Board of Governors the approval of the draft Annual Report and Financial Statements for the year ended 31 July 2023 subject to final audit clearance and consideration of amendments to be submitted by members following the meeting. | | | |
| 6.4 | **ARC resolved to recommend** to the Board of Governors the approval of the draft Annual Report and Financial Statements for the year ended 31 July 2023 subject to final audit clearance and the amendments to be submitted by members following the meeting. | | | |
| ARC\_J\_2023\_11\_16\_7  FEC\_J\_2023\_11\_16\_7 | RELATED COMPANIES REPORT FOR THE YEAR ENDING 31 JULY 2023 | | | ARC\_J\_2023\_11\_16\_P7  FEC\_J\_2023\_11\_16\_P7 CONFIDENTIAL |
| 7.1 | The Committees **noted** the report | | | |
| ARC\_J\_2023\_11\_16\_8  FEC\_J\_2023\_11\_16\_8 | DATE OF THE NEXT MEETINGS | | |  |
| 8.1 | FEC: Thursday 16 November 2023, 1500 - 1800  ARC: Thursday 14 March 2024, 1600 - 1830 | | | |