

**JOINT MEETING OF THE FINANCE AND EMPLOYMENT COMMITTEE (FEC) AND THE
AUDIT AND RISK COMMITTEE (ARC)**

Minutes of the joint meeting held on Friday 17 November 2017

Present: Prof C Kinsella, Chair ARC
Mr N MacDonald, Chair FEC
Mr D Bradley, member FEC
Mr C Kenny, member ARC
Lord Kerslake, member FEC
Prof C Husbands, member FEC
Dr J Morrissy, member ARC
Prof J Patnick, member FEC
Mr R Plews, member ARC
Ms P Thompson, member ARC
Dr S Timothy, member FEC
Mr J Warner, member ARC
Mr M Conway (University Secretary and Clerk to the Board)

In Attendance: Mr R Calvert, Chief Operating Officer
Ms K Doherty, Grant Thornton
Ms D Harry, Chief Finance and Planning Officer
Mr S Taylor, Director of Financial Services
Ms T Goodwill, Governance Services (FEC Minute Secretary)
Mr M Redfern, Grant Thornton
Ms S Suchoparek, KPMG
Ms A Temple, Governance Services (ARC Minute Secretary)
Ms D Watson, Grant Thornton

Apologies for absence from: Ms M Munn, member FEC

| Paper reference | Minute reference | |
|--|------------------|--|
| | FEC+ARC/17/1J | Declaration of Interests |
| | 1.1 | There were no declarations of interest. |
| FEC/5/17/2J ARC/4/17/2J Confidential | FEC+ARC/17/2J | Guidance Note on the role of the ARC and FEC in considering the draft financial statements |
| | 2.1 | The Committee <u>received</u> the guidance note. The joint meeting of the ARC and FEC would only consider the University's Annual Report and Financial Statements (ARFS) for the year ending 31 July 2017 and related matters including the external auditor's findings. The recommendations to the November meeting of the Board of Governors made by each Committee would be recorded separately within the minutes. |
| | 2.2 | The responsibility of FEC for the approval of elements of the financial statements should be included in the Committee's terms of reference. |

Action: Clerk to the Board

FEC/5/17/3J FEC+ARC/17/3J
ARC/4/17/3J
Confidential 3.1

Going Concern

The Director of Financial Services introduced the report which explained the assessment of the University's ability to continue as a going concern during 2017/18 and 2018/19 and highlighted the robust approach to it including the:

- i) review of cash flow forecasts including the phasing of payments from the Student Loans Company;
- ii) review of debt requirements and compliance with the covenants relating to the University's loan with Barclays bank (minute BG/17/95.2 refers);
- iii) sensitivity analysis of the debt servicing costs covenant, student numbers, monthly cash flow and deficit restriction.

3.2

With reference to the commentary in the external auditors' final report (page 15 in paper ARC/4/17/4J refers) the external auditor commented that the going concern basis was appropriate for the preparation of the University's financial statements and that there was sufficient contingency to ensure going concern. The external auditors were comfortable with the disclosure within the financial statements related to going concern including the reference to the impact of the strategy-related revenue investment in 2017/18 and 2018/19.

3.3

The ARC and FEC noted the report.

FEC/5/17/4J FEC+ARC/17/4J
ARC/4/17/4J
Confidential 4.1

Grant Thornton: Audit Findings for the University

The Committee received the external auditors' final report. The external auditors presented each of the sections of the report and commented:

- i) that the audit, which had been clean, had progressed on time and the quality of the year-end information prepared by the Finance Directorate had been to an excellent standard;
- ii) that they had not identified any adjustments during the course of their detailed audit work;
- iii) that the detailed work was complete;
- iv) that the principal areas of the audit were as set out in the audit plan;
- v) that no significant issues had been identified with regards to the recoverability of debtors. The Chair of ARC requested that the FEC report on debt management (paper FEC/5/17/7.5 refers) be circulated to ARC members to complete the action arising from the FEC discussion at its September 2017 meeting (minute FEC/17/54.1iii refers);
Action: Clerk to the Board
- vi) that they had not identified any incidence of fraud (section 3);
- vii) on the conclusions they had reached (section 5) for each of the three risks identified;

- viii) on their conclusions concerning the key estimates and judgements (section 6) which included the pension scheme valuation, holiday pay accrual and the dilapidations provision for Hallamshire Business Park;
- ix) on their conclusions (section 7) concerning the prior year audit in connection with Norton Playing Fields and the NXP building;
- x) on the management response (section 10) in connection with employment contracts and the update to be made to it;
- xi) that one prior year recommendation remained outstanding;
- xii) that there were no misstatements, adjusted or unadjusted, identified for either Sheffield Hallam University, Sheffield Hallam University Enterprises Ltd or Sheffield Hallam Innovation and Enterprise Limited (section 12);
- xiii) that the operating lease disclosure (section 12) had been adjusted in the financial statements.
- xiv) that new reporting requirements meant that the external auditors were now required to comment on the narrative part of the ARFS in their auditors report;
- xv) that that there were no significant facts or matters that impacted on their independence as auditors that they were required or wished to draw to the Committees' attention. They also confirmed that they complied with the Financial Reporting Council's Ethical Standards and that they remained independent and were able to express an objective opinion on the financial statements;
- xvi) that they anticipated that they would be a position to give an unqualified opinion on the University's financial statements for year ended 31 July 2017.

4.2

The Chair ARC thanked the:

- i) auditors for the report and commended the summary of sector developments (appendix A) to members of the Board and University Leadership Team (ULT);
- ii) members of the ULT including the Chief Finance and Planning Officer and members of Finance Directorate staff for their work in preparation for the year-end audit.

FEC/5/17/5J
ARC/4/17/5J
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5.1

Letter of Representation in relation to the 2016/17 external audit

The Committee received the report which included the letter of representation to be signed by the Chair of the Board of Governors on behalf of the University. The signed letter was required by the external auditors prior to their approval of the ARFS for year ending 31 July 2017. The Chair of the Board would be asked to sign the letter at the meeting of the Board on 28 November 2017.

In addition, it was agreed that a corresponding letter from the University should be provided to the Board.

Action: Chief Finance and Planning Officer and Clerk to the Board

FEC/5/17/6J
ARC/4/17/6J
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FEC+ARC/17/6J
Draft Annual Report including the Financial Statements for the year ended 31 July 2017

6.1 The Director of Finance Services introduced the draft ARFS for the year ended 31 July 2017 and outlined the integrated approach to the narrative content and presentation of the report to ensure that it was relevant for stakeholders. Governors commented:

- i) that the report narrative was clear, concise and read well. The content was an improvement on that of previous years and a good addition was the narrative on measuring the success of the four pillars of the University Strategy and the notes about how the key performance indicators should be read;
- ii) that they were assured by the quality of the narrative content and the rigour with which it demonstrated the delivery of the University Strategy;
- iii) on the accounting requirements of the Financial Reporting Standard 102 discussed by the FEC and the level of deficit for the year ended 31 July 2017 in the context of recent reports about the overall financial health of the higher education sector and the likelihood that other universities would report a deficit.

6.2 **The FEC resolved to recommend** to the Board of Governors the approval of the draft consolidated Financial Statements for the year ended 31 July 2017, subject to final audit clearance.

Action: Chief Finance and Planning Officer

6.3 **The ARC resolved to recommend** to the Board of Governors the approval of the draft consolidated Financial Statements for the year ended 31 July 2017, subject to final audit clearance.

Action: Chief Finance and Planning Officer

FEC/5/17/7J
ARC/4/17/7J
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FEC+ARC/17/7J
University's Subsidiary Company Reports and Financial Statements

7.1 **The FEC:**
i) received and noted the financial statements and update reports in respect of the University's subsidiary companies which were part of the consolidated results of the University. Since the reports were circulated to FEC the company meetings had been held and the draft company

financial statements and update reports had been approved;

- ii) noted the report that two new companies had been incorporated in 2017;
- iii) asked that the Board Governors note that on behalf of the Board the Gift Aid Agreement between the University and Sheffield Hallam University Enterprises Limited had been sealed under authority of the FEC.

Action: University Secretary and Clerk to the Board

7.2

The ARC:

- i) received and noted the financial statements and update reports in respect of the University's subsidiary companies which were part of the consolidated results of the University. Since the reports were circulated to ARC the company meetings had been held and the draft company financial statements and update reports had been approved;
- ii) noted the report that two new companies had been incorporated in 2017.