

## AUDIT AND RISK COMMITTEE

## Minutes of Meeting held on Thursday 6 June 2019

**Present:** Prof. C Kinsella (Chairman)  
 Ms K Finlayson  
 Dr J Morrissy  
 Mr J Warner  
 Ms C Marlow (Secretary)

**In Attendance:** Mr M Ackoyd, KPMG  
 Mr A Bush, KPMG  
 Mr R Calvert, Chief Operating Officer  
 Prof R Eccleston, Pro Vice-Chancellor for Research and Global Engagement (for item 8.1ii)  
 Ms D Harry, Chief Finance and Planning Officer  
 Mr D Ladbury, Director of Estates (for item 7.5)  
 Ms L Mason, Director of Strategy, Planning and Insight (for item 7.2 and 7.4)  
 Mr M Redfern, Grant Thornton  
 Ms A Temple (Minute Secretary)  
 Ms R Thei, ULT Business Manager (for item 7.2 to 7.4)  
 Ms D Watson, Grant Thornton  
 Ms H Williamson, Data Protection Officer (for item 7.1)

**Apologies for Absence:** Mr C Kenny and Ms P Thompson

Paper ref	Minute ref	
	A/19/23	<b>Declaration of Interests</b>
	23.1	There were no declarations of interest.
	A/19/24	<b>Chair's Opening Remarks</b>
	24.1	The Chair welcomed Ms Clair Marlow to her first meeting as Interim University Secretary and Clerk to the Board.
A/1/19/M	A/19/25	<b>Minutes of the meeting held on 14 March 2019</b>
	25.1	The minutes were <u>approved</u> .
A/2/19/5	A/19/26	<b>Matters Arising/Audit and Risk Committee Action Tracker, version 21 May 2019</b>
	26.1	<b>A/19/02.1: Auditor briefing on audit matters and sector issues:</b> The briefing session, which had been deferred from 14 March 2019, was scheduled to take place on Tuesday 11 June 2019 (i.e. the day of the Board meeting). All Board members and the Audit and Risk Committee external co-option had been invited.
	26.2	<b>A/1/19/21.4: External auditors opinion:</b> Mike Redfern, Grant Thornton reported that Grant Thornton had responded to the Office for Students' (OfS) comments concerning the wording of their audit opinion within the financial statements for year ended 31 July 2018. It was noted that the OfS had

provided comments on external audit opinion to other external audit firms. Grant Thornton had not received any further feedback from the OfS. They expected that the OfS would issue guidance concerning their expectations for the audit of financial statements for the year ended 31 July 2019, including the external auditors opinion, and that there would not be a request to retrospectively amend the opinion for year ended 31 July 2018.

## A/19/27 **Report on Progress to Implement the General Data Protection Regulation**

27.1 The Data Protection Officer joined the meeting and reported on the University's on-going work in response to the requirements of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA). The following was noted:

1. the Information Governance (IG) Policy included the role of Information Governance Guardians within each academic department and professional services team. The policy also included IG forums which the guardians would attend. An interim forum, comprising members of the implementation group, had been in place pending appointment to roles (arising from the PSOM work). The allocation of the roles had progressed and the first meeting of the new forums had been arranged. This formed part of the University's response to the new accountability principle and the principle of data protection by design and by default. The Guardians and IG forums would allow the University to embed processes more easily and to communicate DP issues across teams. A key principle adopted was a 'training the trainers' approach whereby information, guidance, lessons learnt, case studies etc. would be cascaded via the IG Guardians. The Committee welcomed the introduction of IG Guardians role and the work to embed data protection into business as usual activity;
2. the IG team continued to provide staff training to different teams. Good progress was being made on the development of a new online staff training module which should be ready for roll-out by autumn 2019. This would be linked to Blackboard to monitor completion of the training. The IG Guardians role included ensuring that training was undertaken in their areas;
3. the data breach procedure was working well and there had been no incidents that were reportable to the ICO. In the event that a report of an incident was submitted to the ICO a report would also be made to the Committee;
4. in relation to KPMG's high priority recommendation (in the privacy/GDPR audit; A/4/18/12.2) concerning data retention and deletion from corporate systems (recommendation 1) it was noted that progress had been delayed by staff absence and changes arising from PSOM. The following had taken place/was on-going:
  - retention periods and deletion procedure for the staff recruitment portal had been agreed, which would be monitoring this via the IG Guardian in HROD;
  - an approach had been agreed with the admissions team in relation to unsuccessful applicants and a meeting was in place to review progress;

- the IG team were reviewing information asset registers (IARs) to check the retention periods for other records and would be working with the new IG Guardians to progress this;
  - the University was awaiting a GDPR addition to SI, the student data system, which should help with auto deleting specific items of data.
5. following comments at the January 2019 Board meeting concerning the need for robust management of personal data during the clearing process the Committee was assured that appropriate action had been taken in 2018 to ensure compliance with GDPR/DPA2018 and that action would take place in 2019.

27.2 In response to questions:

1. the DPO confirmed that the online training would not be mandatory for all staff. However, the IG Guardians' role included ensuring that training was adequate in their area and, where there was a security incident, the training needed in the affected area was identified and delivered;
2. it was noted that lessons were learnt from security incidents/data breaches including near misses and the July 2019 meeting of the IG forum would include training on this area - with a training pack being provided which IG guardians could deliver in their areas;
3. the auditors confirmed that the sector had taken implementation of the requirements of the GDPR and the DPA 2018 seriously and that the progress made by the University was in line with their other clients.

27.3 The Committee was assured that the University continued to have a robust approach to implementation of the GDPR and the DPA. The Committee considered that the work to comply with data protection legislation was now part of business as usual activities and agreed that it did not require further standing updates at each meeting. The Data Protection Officer and the Information Governance team were commended for their work to ensure robust implementation of the data protection requirements.

A/2/19/7.2 A/19/28 **Risk Management**

28.1 The Director of Strategy, Planning and Insight and the ULT Business Manager joined the meeting for the item and items 7.3 and 7.4.

28.2 The Committee received an update on risk management and noted that progress had been made on managing a number of corporate risks. It noted that:

1. a working group had been established to consider the risks and impact of possible changes in the higher education sector funding environment arising from the publication of the review of post-18 education and funding (known as the Augar review). Following publication of the report further work would be undertaken to refine the financial modelling;
2. a working group was also in place to consider the impact of Brexit and this was currently considering the impact of a no deal and a managed exit at the revised October 2019 exit date;
3. the Technology Strategy was being updated. Costings and on-going future benefits would be reviewed to ensure that the strategy was still appropriate. The Chair suggested that the implementation of the

Technology Strategy should be reviewed in the 2019/20 internal audit programme to provide the Committee and the University with assurance that it was being appropriately implemented.

28.3 In relation to Augar the Committee noted that the University would need to consider the impact over the next 2 to 3 years including the impact on the estates strategy, student recruitment and the going concern assessment by the external auditors. It was noted that a key part of the Board's October 2019 strategy event would be consideration of the implications of changes to the external environment in terms of funding, competition and regulation. The University's would be reviewing its risk appetite and this would take account of the external environment. The risk appetite was on the forward programme for the September 2019 Audit and Risk Committee meeting.

28.4 In response to a question the Chief Operating Officer confirmed that the University did not make conditional unconditional offers to prospective students.

A/2/19/7.3 A/19/29 **Internal Audit on Risk Management**

29.1 The Committee received KPMG's 2018/19 report on risk management. It noted that the report had been issued with the assurance rating to be determined. This was because the high priority action within the report related to the need to document the key controls in place to mitigate the risks and this was being fulfilled through the assurance map which was being developed (A/19/30 refers). As the assurance map was due to be completed by September 2019 (in line with the original implementation date for the action to develop the map included in the 2017/18 risk management audit) it was felt appropriate to review the work prior to providing an assurance rating to the 2018/19 risk management review.

29.2 The Committee noted the low priority action concerning staff performance development reviews (recommendation 4) and noted that this would be considered by the Directorate of Human Resources and Organisational Development as part of their consideration of previous recommendations made by KPMG on staff development (A/4/18/11.1(i) refers).

A/2/19/7.4 A/19/30 **Assurance Map**  
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30.1 The ULT Business Manager presented a report on the assurance map which was being developed to monitor the controls in place in relation to each corporate risk and mapped the risks to the OfS conditions of registration where applicable. The report outlined the formal means through which the University would provide assurances to ULT and the Board of Governors that there was an effective system in place to monitor the University's ongoing compliance with the OfS conditions, and therefore demonstrate through this framework that the University could notify the OfS of any reportable events in a timely way.

30.2 It was noted that at this stage of development the assurance map was primarily orientated around the Risk Register and the OfS conditions of registration. There were a number of other areas where the University had compliance responsibilities and the document would be expanded to incorporate these in the next phase of its development. The document presented to the Committee was a draft assurance map.

- 30.3 It was intended that ULT would review the assurance map document alongside the Risk Register at quarterly intervals.
- 30.4 Internal audit and/or external verification, regulatory processes and external audit were the 3<sup>rd</sup> assurance and 'line of defence'. These were not detailed in the circulated version of the document but were set out in background information in the assurance map.
- 30.5 As part of the further development of the map and to enable a data-led view of the controls, evidence from internal and external sources was being gathered to underpin each of the controls. This included relevant documentation, policies and processes, reports and internal and external communications where appropriate.

A/2/19/7.5 A/19/31 **Campus Masterplan Risks**

- 31.1 The Director of Estates provided an update on the key risks and associated mitigations in relation to the Campus Masterplan and Hallam Alliance delivery model. The Hallam Alliance was a supply chain that would have a vested long term interest in the projects that they were delivering and would embed the masterplan principles into each building. The multi-party contract would include the University, a single delivery partner for construction works, a single delivery partner for multi-disciplinary design consultancy services and a single delivery partner for "hard" facilities management services. The Hallam Alliance would deliver all campus development projects over £1 million plus VAT.
- 31.2 In response to a question concerning the risks of contractor insolvency and the implications of this it was confirmed that the University had considered this and concluded that the longer term benefits of working collaboratively outweighed the risk of default. Financial due diligence of the partners had been undertaken as part of the procurement process and checks were in place to monitor performance of the partners (including undertaking financial due diligence every six months). Furthermore, each scheme would be awarded individually ensuring that the partners had incentives to maintain their performance at the required level. Other mitigations were in place to manage risks including a robust set of KPIs, an Alliance Board which had an independent chair and would challenge poor performance, and a Programme Alliance Manager.
- 31.3 It was suggested that the Committee should receive a further report on the campus masterplan at a future meeting.

A/2/19/8.1 A/19/32 **Internal Audit: Progress Report**

- 32.1 The Committee received a progress report on the 2018/19 internal audit programme.
- 32.2 It was noted that no additional work had been approved beyond the agreed internal audit programme.
- 32.3 In relation to the non-capital IT equipment it was noted that the work was on hold pending changes in project structures and staffing.
- 32.4 KPMG and management had agreed that the estates - phase 1 review should be moved into the 2019/20 internal audit programme.

A/2/19/8.1i 32.5 **Professional Service Operating Model:** The Committee received the 2018/19 review and the noted that further work was to be undertaken to monitor and report on the non-financial benefits of the programme.

A/2/19/8.1ii 32.6 **Commercialisation of research:** Prof R Eccleston, Pro Vice-Chancellor for Research and Global Engagement, joined the meeting for them item. The Committee received the 2018/19 review and the following was highlighted:

- the fourth goal of the University's research strategy, the Creating Knowledge Implementation Plan, to deliver economic, social and cultural impact included the commercialisation of research. The initial focus had been on developing research capacity and developing regulated funding. The need to develop a clear, coherent and unified research commercialisation strategy for the University was recognised and it was noted that the work had started and would be reported to the Creating Knowledge Pillar Board in October 2019;
- Horizon scanning information and information on large funding opportunities was considered by the Strategic Bids Group, which took a cross University view;
- Much of the focus had been on the development of regulated funding but it was recognised that there was a need to grow contract research;
- the introduction of four research institutes, which were centrally led and had responsibility for co-ordinating activity across the University would improve communication and knowledge sharing. The Pro Vice-Chancellor for Research and Global Engagement was confident that this would address the recommendation 2 and 3 of the report;

In relation to REF 2021 it was noted that a dry run had taken place and work was on-going to collate final outputs including development of impact case studies.

A/2/18/8.2 A/19/33 **Report on Implementation of Internal Audit Recommendations**

33.1 The Committee received a report on progress to implement outstanding recommendations made by the internal auditors in 2016/17, 2017/18 and 2018/19.

33.2 It was noted that the following recommendations had been completed:

- the outstanding recommendation in the 2016/17 UK educational partnerships review.
- the outstanding recommendation in the 2016/17 Cyber programme healthcheck review.
- the recommendation in the 2017/18 overseas partnerships to revise the costing and performance report and report to the Collaborative Advisory Group and the LLEG Board.
- the recommendations in the 2018/19 UUK Housing. Minute A/19/33.8 refers to recommendation 1 on fire alarm testing.

33.3 The Committee agreed revised completion dates for the outstanding actions in the 2017/18 overseas partnerships review and noted that:

- work was on-going to develop the ethical framework with completion expected by July 2019.
- two recommendations would be implemented as part of the work to establish the new Directorate of Global Development and Partnerships which arose from the PSOM work (completion dates of October 2019 and

December 2019).

The Committee felt that the requests for extended completion dates were supported by reasonable rationales.

- 33.4 The Committee noted the action in the overseas partnerships review which was reported as having an expected completion date of the end of May 2019 (with the possibility that this may not be achieved if responses to the due diligence questionnaire were not received from our partners by the requested deadline). Prior to the meeting a staff member in BESE (Business Engagement, Skills and Employability) had confirmed that BESE had received all due diligence refresh forms from all partners except two which they expected to receive in the next week. Once these had been received BESE would review these within the context of the partner's delivery and quality. The completion date for the full assessment would depend on the issues raised. The Committee agreed to sign off this action as complete as the action was to *implement* a light touch due diligence process and this had been put in place.
- 33.5 The Committee agreed revised completion dates for the outstanding actions in the 2017/18 senior staff remunerations, expenses and other benefits reviews. It noted that the work on two recommendations (the senior staff grade policy and the review of senior staff expenses) would be taken forward at the July 2019 meeting of the Remuneration Committee. The work to review senior staff purchase card transactions was being taken forward by Finance with an expected completion date of July 2019. The Committee felt that the requests for extended completion dates were supported by reasonable rationales.
- 33.6 The Committee noted that the expected completion date for the two outstanding actions in the 2017/18 Technology Strategy included in the report (i.e. the end of May 2019) had not been met. The actions related to wider work to develop and fund the strategy. The Committee agreed to sign-off the actions as superseded as they were being taken forward as part of the development of the Technology Strategy which would be submitted to Finance and Employment Committee and the Board of Governors in due course (current target July 2019).
- 33.7 In relation to the action in the procurement review which was reported as having an expected completion date of the end of May 2019, the Head of Strategic Procurement had confirmed that the action had been completed, with the exception of one element. The completed items were that:
- Appropriate training had been provided to key users of the e5 system to ensure that they were fully aware of the University's Procurement Strategy and Procedures;
  - the Procurement Team had aggregated spend across the University as part of wider work to analyse purchasing behaviour - evidence of this had been provided to KPMG;
  - in relation to the part of the recommendation that suggested that these contracts should be signposted on the intranet, action had been taken to direct internal stakeholders to the relevant internal contact who had the direct relationship with the supplier.

The part of the action that remained to be completed was deactivating some suppliers within the E5 system. The last system data cleanse had taken place two years ago. The future of E5 was being considered as part of the

Technology Strategy. When the prioritisation of E5 within the strategy was fixed it would then be determined whether the data cleaning of E5 was a priority from a whole University perspective. The Committee agreed that this part of the action had been superseded by the wider work under the Technology Strategy.

- 33.8 It was noted that at its last meeting the Committee had asked that the action in the UK Student Housing report to increase on frequency of fire alarm testing the action should be brought forward. This has been implemented by Facilities Directorate. However, Facilities Directorate were challenging the interpretation of the code based on advice from the fire alarm contractor and the UUK Code Governance Board who had both confirmed that the University's previous testing regime met the relevant British Standard and complied with the UUK Code requirements. Andy Bush KPMG confirmed that KPMG were content, having reviewed the comments, that the previous regime had met the UUK Code requirements and agreed that the University could revert to the previous level of testing.

A/19/34 **Discussion on the 2019/20 internal audit plan**

- 34.1 The Committee considered possible audits for 2019/20 and suggested that the following should be considered for inclusion:

- Technology Strategy (minute A/19/28.2.3 refers);
- Academic Organisation Project.

- 34.2 It was suggested that the risk management audit could consider whether the University's approach to risk management could be more innovative.

- 34.3 The Chief Finance and Planning Officer requested an audit of TRAC (A/19/07.3 refers).

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A/19/35 **External Audit: The Audit Plan for Sheffield Hallam University, Year Ending 31 July 2019**

- 35.1 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 2019. It was noted that Grant Thornton confirmed their independence and would reconfirm their independence and objectivity for the year ended 31 July 2019 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.

- 35.2 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. The 'other risks' identified were consistent with previous years.

- 35.3 Grant Thornton highlighted the following:



1. SHU law had been launched on 27 February 2019 and for the year ending 31 July 2019 it was anticipated that the majority of costs incurred would be recognised in the University's financial statements and not recharged to the subsidiary. However, it was not anticipated that the costs would be material to the University. Grant Thornton noted an increased risk in relation to the preparation of SHU Law's financial statements as it was the first year of operation of the subsidiary and the Solicitors Rules Regulations (which applied to SHU law) were new to the University. At year end SHU law was not anticipated to breach the Solicitors Rules thresholds that would require a separate Solicitors Rules audit. Grant Thornton would issue an audit opinion concerning SHU Law. It was noted that SHU Law was a company limited by guarantee not an LLP (as specified on page 15 of A/2/19/9.1);
2. there were no significant changes to the accounting standards of disclosure requirements that were expected to impact on the 2018/19 financial statements;
3. as part of their work on going concern Grant Thornton would consider issues including the impact of the demographic dip on student numbers, the implications of the report on review of post-18 education and funding (Augar review) and Brexit. It was noted that the joint meeting of the Audit and Risk Committee and the Finance and Employment Committee in November 2019 would receive a report on going concern;
4. as part of their work the auditors would consider the classification of the renegotiated Barclays loan facility and the new Santander loan facility (as required by FRS102).

A/2/19/9.2 A/19/36 **Approach to Related Party Transactions**

- 36.1 The Committee received the report and noted that it set out the proposed amended approach to complying with FRS102 and the HE SORP in relation to declaration of related party transactions in the financial statements. The approach had been reviewed in the light of advice to the sector from BUFDG, the changing approach to regulation under the OfS and recent press interest in corporate governance matters in HE.
- 36.2 The Committee noted that the following was proposed:
  - the scope of the related party transaction note, which currently covered Board member only, should be extended to include members of ULT and close family (defined as spouse, partner and/or children) of Board members and ULT;
  - the University would use information already collected about relevant relationships as part of the register of interest process conducted annually with the Board and ULT;
  - this year the University would ask for information about close family which applied in 2018/19 and would include this in the register of interests process for future years. The University recognised that would not be possible to retrospectively collect information about close family from individuals who have left the Board or ULT during the academic year. The University would need to resolve the reporting of this in discussion with Finance and the external auditors;

- in order to ensure that the University had the necessary information in time to collate transactions data and assess whether the transactions should be declared in the related party transactions note it planned to issue the request for information in early to mid-July with a response date on 31 July 2019. A reminder would be issued at the Board for outstanding registers of interests updates.

A/2/19/9.3 A/19/37 **Additional Work Carried Out by the External Auditors**

- 37.1 The Committee received the report and noted the additional work that had been undertaken by the external auditors. This work had been approved by the Chief Finance and Planning officer in line with the agreed procedure for approving additional work.

A/19/38 **Date of Next Meeting**

- 38.1 Thursday 19 September 2019, 4.30 to 6.30pm

This will be preceded by a private meeting between the Committee and management from 4pm to 4.30pm