

MINUTES

AUDIT AND RISK COMMITTEE, AR-115

Date: Tuesday 28 January 2020

Time: 1500 for external Committee Members and internal Auditors; 1530 for all other attendees

Location: Boardroom, University House, Leek Road Campus

Notes:

1. Items marked with an asterisk (starred items) were for information only or regarded as noncontentious. Starred items will not be discussed and will be assumed to have been noted or approved unless a request to unstar a named item is received from a Board member in advance, or at the commencement, of the meeting.
2. Items classified as Confidential, and their subsequent minutes, will be redacted before publication of the agenda and minutes on the University's public website.

Members		
Kevin Gould (Chair)	External Member	P
Cathryn Hickey	External Member	P
Sara Williams (Deputy Chair)	External Member	P
In attendance		
Professor Liz Barnes	Vice Chancellor	A
Ian Blachford	Chief Operating Officer and Clerk to the Board of Governors	IA
Mark Dawson	KPMG (external audit)	IA
Professor Ieuan Ellis	Pro Vice Chancellor – Place & Engagement (<i>items 1670-1671 only</i>)	IA
Maighread Hegarty	Associate Dean – Apprenticeships (<i>item 1671 only</i>)	IA
Kashif Azeem	RSM (internal audit)	IA
Alex Hire	RSM (internal audit)	IA
Clare Mayer	Business Risk Manager	IA
Sally McGill	Chief Financial Officer	IA
Lauren Rooke	Assistant Clerk to the Board of Governors (minutes)	IA

P = Present; T = via telephone; A = Apologies; IA = In Attendance

1500 - 1530 Pre-meet for external Committee Members with **internal** auditors (without the presence of University staff)

1 MEETING MANAGEMENT	
1665	Apologies for absence were received from Professor Liz Barnes.
1666	There were no new Declarations of Interest .
1667	The Minutes of the last meeting of the Committee , 29 October 2019 AR/115/01, were signed as a true and accurate record.
1668	Matters arising: <ul style="list-style-type: none"> • Minute 1646 – It was noted that the terms of reference for all committees had been agreed at the last Board of Governors meeting, including explicit references to the subsidiaries such as Staffordshire University Services Ltd. • Minute 1649 – It was noted that an annual UKVI report had been added to the Audit and Risk Committee schedule

	<p>of business.</p> <p>Minute 1650 – It was noted that the Financial Statements and Annual Review 2019 had been approved at the last meeting of the Board of Governors.</p>
2 FOR DISCUSSION AND/OR APPROVAL (marked below accordingly)	
1669	The committee received and noted the Overview of Annual Business 2019-20 AR/115/02.
1670	<p>The committee discussed the following Internal Audit Reports 2019-2020:</p> <p>i) Mental Health: Supporting Students Framework (<i>reasonable assurance</i>) AR/115/03 (available on SharePoint and previously circulated by email), introduced by Alex Hire and Kashif Azeem of RSM, who noted that this was currently a significant focus within the sector and gave a brief overview of the recommendations.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> Sara Williams highlighted the importance of the report and its arising actions being tracked through the appropriate channels. Ian Blachford noted that the committee, during its upcoming consideration of the internal audit plan 2020/21, might wish to discuss continuing this theme into the 2020/21 plan. <p>ii) Oracle Fusion Implementation (<i>substantial assurance</i>) AR/115/04 (available on SharePoint and previously circulated by email), introduced by Kashif Azeem.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> Kevin Gould commended the Finance team on the rating received, given that this was a newly implemented system. <p>iii) Risk Management (<i>substantial assurance</i>) AR/115/05 (available on SharePoint and previously circulated by email), introduced by Alex Hire.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> Kevin Gould enquired about the testing of risk management protocols. Ian Blachford noted that the Executive team received a monthly Incident Management Report highlighting key issues, lessons learnt and the tracking of actions. Ian further noted that a mock incident was currently being planned for Spring 2020. <p>iv) Schools and Colleges Liaison (<i>reasonable assurance</i>) AR/115/06, introduced by Kashif Azeem, who noted that although a robust governance framework was in place, the University was still in a transitional phase.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> Sara Williams asked about next steps, given the key nature of this area. Clare Mayer clarified that Schools and Colleges Liaison featured on the Risk Register and that the Schools understood their responsibilities with regard to this. Ian Blachford proposed that actions would remain on the Outstanding Audit Actions tracker until completed and that the report be referred on to Sustainability and Resources Committee. <p>v) UUK/GuildHE Code for Management of Student Housing (<i>substantial assurance</i>) AR/115/07 introduced by Kashif Azeem, who noted that the review covered approximately one-third of the Code itself (with the other two-thirds areas being covered annually in turn).</p> <p>Members commented as follows:</p> <p>NONE</p> <p>vi) Internal Audit Progress Report AR/115/08, introduced by Alex Hire, who noted that the draft Estates Compliance – Asbestos report had been issued since the progress report had been written, and that the team were currently on site carrying out fieldwork for the Data Quality audit.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> Ian Blachford highlighted that the timeliness of the provision of draft reports by RSM, and communications, continued to improve.
1671	The committee received the ESFA Funding Compliance Audit (non-internal audit plan) AR/115/09 and Appendix A, introduced by RSM and the Pro Vice Chancellor – Place and Engagement. The following main points were noted:

[REDACTED]

Members commented as follows:

[REDACTED]

1672 The committee received the **TRAC 2018-19 Submission - Executive Summary** AR/115/10, along with the **TRAC 2018-19 presentation** AR/115/10AppxA and a supporting **background to TRAC presentation** AR/115/10AppxB, introduced by the Chief Finance Officer. The following main points were noted:

- The return, submitted annually to OfS by 31 January, was reviewed and approved by the University TRAC Steering Group on 16 December and received formal approval from Executive on 13 January 2020, and SLT on 21 January 2020.
- The purpose of the TRAC return was to establish an approach to demonstrate the full economic costs of research and other publicly funded activities in higher education, in order to improve the accountability of public funds. The return also formed the basis for the calculation of the University's Estates and Indirect cost recovery rates, which were used for the University's research grant applications to Research Councils. As the only sector-wide costing process, the TRAC return informed a broad range of debates by Government and Funding Councils.
- The return required the analysis of the University's costs and income as stated in the Statutory accounts, by activity categories: publicly funded teaching, non-publicly funded teaching, research and other income. Further to the analysis of costs and income, an adjustment for sustainability was added (Margin for Sustainable Investment - MSI) which aimed to present the full economic cost of the university's activities. The impact of the MSI added costs of £16.5m to this year, compared to £15.9m in 2017/8 - an increase driven mainly by our increased depreciation and surplus forecasts.
- Overall, the TRAC return demonstrated an increased recovery of full economic costs compared to last year (recovering 95.0% compared to 82.5% in 17/18, with further detail given in the Executive Summary).
- For the first time, the 2018-19 return used data taken from our new Time Allocation Survey (TAS) system. The new system provided a consistent approach to the reporting of standard activities and had facilitated an improvement in the quality of data being reported.

Members commented as follows:

NONE

The committee approved the **TRAC 2018-19 Return** for submission.

1673 The committee received the **TRAC(T) 2018-19 Submission - Executive Summary** AR/115/11, along with the **TRAC 2018-19 presentation** AR/115/11AppxA, introduced by the Chief Finance Officer. The following main points were noted:


- The TRAC-T return, submitted annually to OfS by 28 February, had been reviewed and approved by the TRAC Steering Group and received formal approval from Executive on 13 January 2020 and SLT on 21 January 2020.
- TRAC-T was a supplementary return to TRAC derived from both HESA and TRAC returns, allocating publicly funded teaching costs against subject areas to produce a cost of teaching OfS fundable students by HESA cost centre.
- The return took the costs reported within our TRAC return for Publicly Funded Teaching and removed some non-subject related costs, which left the Total subject-related costs of OfS fundable provision. The remaining School costs, as identified through the TRAC return, were allocated back to the HESA cost centres serviced by each school using HESA Table 8 allocations and weighted student numbers. These were then divided by the OfS fundable student FTEs for that HESA cost centre, (provided by OfS), to produce the Cost Per Student.
- The Cost Per Student reported within the TRAC-T return were used to inform Funding Councils' funding of teaching but did not influence league tables or rankings (data from the HESA Finance Record was used for this purpose).
- Overall, the TRAC-T return showed that OfS fundable costs decreased by £7.5m (7.8%) and student numbers increased by 104.8 FTEs (1.2%), with further detail given in the accompanying paper.
- The return was largely an output from our HESA, Finance OfS and TRAC returns and was of limited use in terms of year-on-year analysis at subject level, given the volatility arising from changes in the University's cost base year on year and as well as changes in student FTEs as individual courses develop, mature and downsize over time.
- It was noted that following a last-minute change to the submission workbook a few days prior to the committee meeting, the average Cost Per Student had increased slightly, as was shown in the replacement papers emailed out on the morning of 28 January 2019 (AR-115-11_v2 and AR-115-11AppxA_v2).

Members commented as follows:


- Kevin Gould asked for clarification on the workbook changes imposed by OfS. Sally McGill noted that this amend (which removed certain elements of OfS teaching grant income from the calculations, thereby increasing the cost per student FTE for all HESA cost centres) had been circulated to the TRAC Steering Group on receipt, and that the change had effectively been spread across all students.

The committee approved the **TRAC-T 2018-19 Return** for submission.

1674 The committee received a **Proposal for KMPG to support an Assessment of Overseas Tax Risks** AR/115/12, introduced by the Chief Financial Officer. The following main points were noted:



Members commented as follows:



	The committee approved the Proposal for an Assessment of Overseas Tax Risks .
1675	<p>The committee received and discussed the Risk Management Framework Update AR/115/13, introduced by the Business Risk Manager, who noted that the report set out the position to date and included sections on the approach to risk management, key milestones delivered, embedding and next steps.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Ian Blachford noted that the University-level Risk Registers would be presented at the next committee meeting. • Kevin Gould asked for clarification on whether the protected characteristics referenced in the Executive Summary were given as examples or were an exhaustive list. Sara Williams underlined the importance of effectively articulating the complexity and intersectionality of these.
1676	<p>The committee considered the Annual Review of Counter-Fraud Policy and Anti-Bribery and Corruption Policy (now including Gifts and Hospitality Policy) AR/115/14, introduced by the Chief Operating Officer, who noted that the previous standalone Gifts and Hospitality Policy had been overhauled and was now included within the Anti-Bribery and Corruption Policy Review.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould highlighted that some organisations required the recording of all declined hospitality and it was agreed that whilst this was not currently deemed necessary, a watching brief should be kept on this item.
3 FOR INFORMATION	
1677	<p>The committee noted papers on *Outstanding Actions against earlier Internal Audit Reports 2018-19 and 2019-20* AR/115/15 and 16, introduced by the Business Risk Manager.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould asked that in future audit trackers, risk levels be recorded within the narrative section, to provide more context for readers.
1678	The committee noted the Annual Procurement Report 2018-19 AR/115/17, introduced by the Chief Finance Officer.
1679	The committee noted the Annual Non-Audit Advisory Services Report 2018-19 AR/115/18, with Mark Dawson noting that although the regulations on this had changed recently in other sectors, the proposal for Overseas Tax Risk (elsewhere on the agenda) work was unaffected.
4 ADDITIONAL MATTERS	
1680	<p>Have we made a positive impact on our students today?</p> <p>It was agreed that continued focus on mental health, student accommodation standards and the apprenticeship experience were all key for current students. Work on the future schools and colleges pipeline was also crucial.</p>
1681	<p>The committee considered the Performance of External Auditors, with discussion covering areas such as communications and expectations. Sally McGill noted that there had been a minor issue with internal debate at KPMG around whether external advice from actuarial firm Hymans on the LGPS had been required, which had delayed progress slightly. Overall, the external audit for 2018-19 has been as expected.</p> <p>It was agreed that a paper would be brought to the next committee to enable an informed decision around the future of the external audit contract.</p>
1682	<p>Additional matters:</p> <p>None</p>
1683	<p>Items to be referred to Sustainability and Resources Committee:</p> <p>For noting</p> <ul style="list-style-type: none"> a) Minute 1670 (iv) – Schools and Colleges Liaison Internal Audit Report b) Minute 1670 (v) - UUK/GuildHE Code for Management of Student Housing Internal Audit Report <p>For approval/discussion</p> <p>NONE</p>
1684	Items to be referred to Board of Governors:

	<p>For noting</p> <ul style="list-style-type: none">a) Minute 1671 – Internal Audit – Mock ESFA Funding Assurance Reviewb) Minute 1675 – Risk Management Framework Update <p>For approval/discussion</p> <p>NONE</p>
1685	Next meeting: Tuesday 10 March 2020 (Boardroom, University House)