

MINUTES

AUDIT AND RISK COMMITTEE

Date: Tuesday 15 January 2019

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	External Member	P
Cathryn Hickey (Deputy Chair)	External Member	P
Sara Williams (Chair)	External Member	P
In attendance		
Professor Liz Barnes	Vice Chancellor	IA
Ian Blachford	Chief Operating Officer and Clerk to the Board of Governors	IA
Ieuan Ellis	Pro Vice Chancellor – Partnerships and Region (<i>item 1601</i>)	IA
Rob Fekete	Chief Financial Officer	IA
Alex Hire	RSM (internal audit)	IA
Martin Jones	Deputy Vice Chancellor (<i>items 1596-1597</i>)	IA
Clare Mayer	Business Risk Manager	IA
Nigel Peake	Head of Procurement (<i>item 1598</i>)	IA
Lisa Randall	RSM (internal audit)	IA
Sue Reece	Pro Vice Chancellor – Student Experience (<i>item 1596</i>)	IA
Lauren Rooke	Assistant Clerk to the Board of Governors (<i>minutes</i>)	IA
Simon Stanyer	KPMG (external audit)	IA

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

1 MEETING MANAGEMENT	
1591	There were no Apologies for Absence .
1592	There were no new Declarations of Interest .
1593	The Minutes of the last meeting of the Committee AR/111/01, 30 October 2018, were signed as a true and accurate record.
1594	Matters arising: <ul style="list-style-type: none"> • Minute 1570 – it was noted that the CMA Compliance IA Report was circulated to committee members by email on

	27 Nov 2018 and appeared elsewhere on the agenda.
2 FOR DISCUSSION AND/OR APPROVAL (marked below accordingly)	
1595	The Overview of Annual Business (DISCUSSION) AR/111/02 was introduced by the Clerk to the Board of Governors, who noted that this document would be updated as and when new reports or items were agreed.
1596	<p>The Committee received the following Internal Audit Reports 2018-19:</p> <p>i) CMA Compliance 2017-18 IA Report (PwC – 2017-18 audit plan) AR/111/04, introduced by the Pro Vice Chancellor – Student Experience, who noted that this had been previously circulated by email.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Cathryn Hickey enquired about assurance regarding the arising actions/recommendations from the report and Sue Reece clarified that many of these had been implemented immediately following the report. Clare Mayer confirmed that all internal audit report recommendations were automatically added to departmental risk registers as necessary, and that confirmation of this would be brought through to the committee as usual via the Outstanding Audit Actions Tracker. Any remaining specific actions would be clearly articulated within the Audit Tracker. <p>ii) GUILD HE/UUK Code for Management of Student Housing: Compliance Review AR/111/05 introduced by the Deputy Vice Chancellor, who noted that the overall low risk rating was encouraging.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Cathryn Hickey enquired about PAT testing and Martin Jones confirmed that work was underway to ensure consistency of approach on this. • Ian Blachford confirmed that the resulting audit actions would be added to the overall tracker and that the IA report would be sent on to Sustainability & Resources Committee due to the nature of its subject. • Kevin Gould noted the importance of these recommendations becoming business as usual well before the next three-year review cycle. This was agreed and would be addressed as part of the new Estates structure. <p>iii) RSM Internal Audit Progress Report AR/111/06 was introduced by Alex Hire of RSM, who highlighted a change in section 2.2. (in relation to the review into Governance Key Performance Indicators) meaning that this review would start later in the year, around April/May 2019, and would then be brought to the June meeting. This change was approved by the committee.</p>
1597	<p>The Committee received the TRAC Submissions – Executive Summary AR/111/07, introduced by the Deputy Vice Chancellor (as Chair of the TRAC Steering Group), along with the TRAC 2017-18 Commentary AR/111/07AppxA, and the TRAC 2017-18 Return AR/111/07AppxB. The following was noted:</p> <ul style="list-style-type: none"> • The purpose of the TRAC return (submitted annually to the OfS by 31 January) 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. • The return informed a broad range of debates by Government and Funding Councils as it was the only sector-wide costing process available and was used by the Research Councils for research funding. • The return required the analysis of the University's costs and income as stated in the Statutory accounts, by activity categories. Further to the analysis of costs and income, an adjustment for sustainability was added (MSI) which aimed to present the full economic cost of the University's activities. • Overall, the TRAC return demonstrated a reduction in recovery of the full economic costs compared to last year, attributable to a reduction in income year on year. The paper provided an analysis of the return and high-level commentary on material movements from the previous year. • Over the last year the TRAC return had undergone further work to improve the data reported and the processes used to collect and produce it. The return was reviewed and approved by the University TRAC Steering Group on 14 December 2018. • TRAC(T), a supplementary return to TRAC derived from both HESA & TRAC returns (which allocated publicly funded teaching costs against subject areas to produce a cost of teaching per student) was currently being finalised. From 2017/18 this return required committee approval and would therefore be circulated to members of the committee as soon as completed, well in advance of the 28 February 2019 deadline. <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould enquired about the useful application of information and insight gained from the TRAC return. Martin Jones confirmed that this was already underway, and that SLT had discussed, for example, academic staff's workload

	<p>distribution across teaching and support, a potential area highlighted by the 2017-18 return. Liz Barnes clarified that whilst the return was a useful tool for monitoring direction of travel (and that much work had been done to improve the quality and accuracy of the data submitted) detailed attempts to link TRAC data and workforce planning, or to create a workload model, were unlikely to be successful.</p>
1598	<p>The Committee received the Procurement Strategy Update (DISCUSSION) AR/111/08 (deferred from the 30 Oct 2018 meeting), introduced by the Head of Procurement. The following points were noted:</p> <ul style="list-style-type: none"> • As an institution, it was crucial to use our spending power wisely and strategically to ensure that we support and benefit our student experience and also the economic, social and environmental wellbeing of our communities. • Procurement had a key role to play in ensuring that the University continued to deliver high quality services to its students, working in partnership and collaboration with key partners to realise joint benefits, supporting the local economy and providing opportunities for businesses to engage with the University. • The strategy was presented in draft form and was the first formal Procurement Strategy at the University. The aim was to ensure that procurement activities were undertaken efficiently and economically and helping to manage the economic, social and environmental impacts for the University, aligning with the strategic aims and objectives of the University's Strategic Plan. <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould noted that the committee would be interested to see the strategy in practice and Rob Fekete confirmed that many elements were already in operation. • Sara Williams noted that it should be possible to "pair up" bigger national suppliers with less experienced local ones (who would otherwise be unable to bid for such work) on some projects, to benefit all parties. • Cathryn Hickey enquired about the rationale behind the values given in the strategy. Rob Fekete clarified that these were in line with the financial regulations. • Sara Williams commended the paper and it was agreed that an Annual Procurement Report be included in the in the Overview of Committee business.
1599	<p>The Committee received a paper regarding Non-Audit Services (APPROVAL) AR/111/09, from the Chief Financial Officer, who noted the following:</p> <ul style="list-style-type: none"> • Following previous discussion at Audit and Risk Committee, a revised paper had been provided regarding the use of KPMG non-external audit services. The paper related only to the engagement of KPMG or RSM for such additional services in order to provide the appropriate independence assurance for Audit and Risk Committee, noting that KPMG was a leading sector expert and very well-embedded within HE. • It was proposed that the CFO and COO were authorised to engage either KPMG or RSM for non-audit services up to the value of £20k inclusive for any one activity, and up to an overall maximum of £80k (inclusive) for each provider for the financial year. Any provision of services would be on the basis that no conflict of interest would arise with regard to the auditing remit. • Any items beyond the proposed values would require individual agreement through the Audit and Risk Committee. The proposed threshold of £20k inclusive aligned with the standard financial regulation approval limits for budget holders. All work undertaken by KPMG or RSM would be reported to Audit and Risk Committee at the Summer meeting. • The attached summary provided confirmed the latest details of KPMG non-external audit work in progress/proposed for 2018/19. <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould confirmed his support for the policy and requested that this item be a standing brief for the committee, underlining that any potential conflicts of interest should be carefully managed. • It was confirmed that all activity would be reported back in an annual Non-Audit Advisory Services Report, and that the University would start to consider potential alternatives for future use, given likely changes to the landscape.
1600	<p>The Committee received the Risk Management Framework Update (DISCUSSION) AR/111/10, presented by the Chief Operating Officer and the Business Risk Manager.</p> <ul style="list-style-type: none"> • All schools and services had now reviewed their historic risk registers (where they existed), reflecting upon the identification of risks and the challenge of whether mitigating actions would in fact mitigate the level of risk. These had now all been signed off by Executive leads for their areas in December 2018 and were held within the new risk management software. • The risks identified from each school and service worked on a hierarchy basis and reported into one of the University-level risks, previously agreed by Senior Leadership Team (SLT) and shared with the Audit and Risk Committee in June 2018 (Annex One). • The approach to embedding was agreed by Executive in December 2018, following the previous information shared with the Audit and Risk Committee at its last meeting, and included risk registers as standing items at school

	<p>Academic Committees and service Management Team meetings, as well as quarterly review by Executive leads and a quarterly Risk Management Report to be presented to SLT (with an abridged version to Audit and Risk Committee).</p> <ul style="list-style-type: none"> • The Board of Governors would receive an update on the risk register at two meetings per annum, and the risk registers would form part of the QBR process in a proportional manner. • A draft timeline was shown at Annex Two for the Spring and Summer cycle, which would then be replicated for the Autumn and Winter quarters. • From discussions at Executive, it was clear that the current University-level risks were no longer aligned to the environment and reflected a particular focus inward. We therefore need to review the University top-level risks now, as well as ensuring this is embedded within the risk management infrastructure. • Consequently, at two SLT meetings per annum (Spring and Autumn), the risk management cycle would commence with an overview of the current risks and issues within the sector, followed by a review by SLT to determine whether the University-level risks required amending. This would then be reflected in the discussions and updating that occurred subsequently in each of the schools and services. Any changes to the University top-level risks would ultimately be approved by the Audit and Risk Committee and shared at alternate meetings of the Board of Governors. • As shown on the schedule, a session would shortly be held with SLT on refreshing the University-level risks to ensure both internal and external risks are identified, and the impact and likelihood reviewed. This process and schedule had been designed to ensure the University was aware of, and in control of, current and future risks. <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Cathryn Hickey asked how the updating of departmental risk registers was monitored, and Clare Mayer confirmed that regular reports were run to ensure that departmental risk registers were well embedded within school management teams.
1601	<p>The Committee received an updated Catalyst-Funded Project Risk Register (DISCUSSION) AR/111/11, introduced by the Pro Vice Chancellor – Partnerships & Region, who noted the following:</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
1602	<p>Review of Performance of Auditors (DISCUSSION) - the Chief Operating Officer & Clerk to the Board of Governors briefly introduced this item, noting that it would relate to the external auditors only, given the recent change in internal auditors.</p> <p>The committee discussed its interaction with, and the performance of, the external auditors. It was agreed that KPMG's approach was professional and comprehensive, and that committee members felt sufficiently informed about the sector in general and their responsibilities.</p>
1603	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

1604	<p>The *Annual Review of Anti-Bribery and Corruption Policy and Anti-Fraud Policy* AR/111/13 was introduced by the Business Risk Manager, who noted the following main points:</p> <ul style="list-style-type: none"> • The Terms of Reference (m) for the committee required that it satisfied itself on an annual basis that the two policies were appropriate. • Amends to the previous versions had been very minor but the policies would need to be updated further when Rob Fekete left the University, as he was currently a nominated officer. <p>Members commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould asked about the reference to US legislation and it was confirmed that the University's current business with the US was minimal.
3 FOR INFORMATION	
1605	<p>The *Outstanding Actions against earlier Internal Audit Reports tracker* AR/111/14 was introduced by the Chief Operating Officer, who noted that a particular focus would be placed on the current outstanding actions to ensure that these were closed down before the next committee meeting.</p>
4 ADDITIONAL MATTERS	
1606	<p>Additional matters:</p> <div style="background-color: black; width: 100%; height: 100%; min-height: 100px;"></div>
1607	<p>Items to be referred to Sustainability and Resources Committee:</p> <p>For information:</p> <ol style="list-style-type: none"> Minute 1596 - Guild HE/UUK Student Housing Review Minute 1603 – Public Interest Disclosure Report
1608	<p>Items to be referred to Board of Governors:</p> <p>NONE</p>
1609	<p>Next meeting: Tues 12 March (<i>confirmed post-meeting</i>) (Boardroom, University House)</p>