

# MINUTES

## AUDIT AND RISK COMMITTEE

**Date:** Tuesday 30 October 2018

**Time:** 1500 for external Committee Members; 1515 for 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	A
Sara Williams (Chair)	External Member	A
In attendance		
Professor Liz Barnes	Vice Chancellor	A
Ian Blachford	Chief Operating Officer and Clerk to the Board of Governors	IA
Ieuan Ellis	Pro Vice Chancellor – Partnerships and Region	IA
Rob Fekete	Chief Financial Officer	IA
Clare Mayer	Business Risk Manager	IA
Lauren Rooke	Assistant Clerk to the Board of Governors (minutes)	IA
Internal Audit (outgoing)	Ben Connor, PwC (to item 1571)	IA
Internal Audit (incoming)	Lisa Randall, RSM	IA
External Audit	Simon Stanyer, KPMG	IA

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

1 MEETING MANAGEMENT							
1564	<b>Apologies for Absence</b> were received from Liz Barnes and Cathryn Hickey.						
1565	There were no new <b>Declarations of Interest</b> .						
1566	The following <b>Membership of the Committee for 2018/19</b> was noted: <table border="0" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;"><b>Constitution</b></td> <td><b>MEMBERSHIP</b></td> </tr> <tr> <td>External Members</td> <td>Kevin Gould Cathryn Hickey (Deputy Chair) Sara Williams (Chair) <i>Vacancy (HE background)</i></td> </tr> <tr> <td>In attendance</td> <td>Professor Liz Barnes, Vice Chancellor Ian Blachford, Chief Operating Officer &amp; Clerk to the Board</td> </tr> </table>	<b>Constitution</b>	<b>MEMBERSHIP</b>	External Members	Kevin Gould Cathryn Hickey (Deputy Chair) Sara Williams (Chair) <i>Vacancy (HE background)</i>	In attendance	Professor Liz Barnes, Vice Chancellor Ian Blachford, Chief Operating Officer & Clerk to the Board
<b>Constitution</b>	<b>MEMBERSHIP</b>						
External Members	Kevin Gould Cathryn Hickey (Deputy Chair) Sara Williams (Chair) <i>Vacancy (HE background)</i>						
In attendance	Professor Liz Barnes, Vice Chancellor Ian Blachford, Chief Operating Officer & Clerk to the Board						

	<p>Rob Fekete, Chief Financial Officer &amp; Deputy Chief Executive  Clare Mayer, Business Risk Manager  Internal Audit representative  External Audit representative  Others as appropriate depending on Internal Audit reports</p>
1567	The <b>Minutes of the last meeting of the Committee</b> , 05 June 2018 AR/110/01 were signed as a true and accurate record.
1568	<p><b>Matters arising:</b></p> <ul style="list-style-type: none"> <li>• <b>Minute 1551</b> – an update on the provision of non-audit services from the CFO&amp;DCE was noted (<i>this was tabled at the end of the meeting, under Any Other Business</i>).</li> <li>• <b>Minute 1552</b> – it was noted that the PwC HE Sector Risk Profile Report had been circulated to the Board of Governors on 07 June 2018.</li> <li>• <b>Minute 1558</b> – it was noted that the Partnerships Internal Audit Report appeared elsewhere on the agenda.</li> <li>• <b>Minute 1559</b> – RSM were welcomed to their first meeting as the University’s Internal Audit providers.</li> </ul>
<b>2 FOR DISCUSSION AND/OR APPROVAL (marked below accordingly)</b>	
1569	<p><b>The Committee Terms of Reference for 2018/19 (APPROVAL)</b> AR/110/02 were introduced by the Clerk to the Board of Governors.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>• Kevin Gould proposed that committee pre-meets without the presence of University officers were alternated between external and internal auditors. It was agreed that this would be discussed with other external members.</li> <li>• Kevin Gould enquired about the inclusion of specific risks and Risk Appetites within the Terms. Ian Blachford clarified that 2017-18 had been the first time that risks had been specified in each committee’s Terms of Reference. It was agreed that Audit and Risk Committee would have overview of all University risks and these would be included with the Terms of Reference.</li> <li>• It was noted that point (g) - appointment of internal auditors - should be reworded to clarify the committee’s role as the decision-making body for this appointment. Ian Blachford confirmed that he would clarify the wording within the CUC’s Code of Governance and update the document.</li> </ul> <p>The Committee Terms of Reference 2018-19 were approved for progression to the Board of Governors for formal approval, with the amends discussed reflected.</p>
1570	<p><b>CONFIDENTIAL MINUTE</b></p> <p>The Committee received the following <b>Internal Audit Reports 2017-18:</b></p> <p><b>Partnerships</b> AR/110/03, introduced by the Pro Vice Chancellor – Partnerships and Region, who noted that the Internal Audit report had been circulated by email on 2 May 2018, and that an additional Partnerships Update report AR/110/03a, was now included here. The following main points were noted:</p> <ul style="list-style-type: none"> <li>• </li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>• </li> </ul>

	<p><b>Value for Money – Student Hub</b> AR/110/04, introduced by the Chief Financial Officer &amp; Deputy Chief Executive, who noted that metrics were currently being determined to measure the success of the project.</p> <p>[REDACTED]</p> <p><b>Governance – OfS/RemCo Compliance</b> AR/110/06, introduced by Ben Connor, who noted that the two recommendations in the report were minor in nature. The Clerk to the Board of Governors &amp; Chief Operating Officer confirmed that Remuneration Committee had now met and considered the information within the report, and subsequent recommendations.</p> <p>It was noted that the <b>CMA Compliance IA report</b> was currently being finalised and would be circulated to committee members by email.</p> <p><b>IT Information Security</b> closedown report (circulated by email 19 Sept 2018, with PwC report attached as appendix) AR/110/07, introduced by Ben Connor, who noted that the report was not risk-rated as it was essentially a closure report underlining that actions were business as usual. IT Information Security would appear in the new audit plan for 2018-19.</p>
1571	<p>[REDACTED]</p> <p>The committee received the <b>PwC Internal Audit Annual Report 2017/18 (APPROVAL)</b> AR/110/08, introduced by Ben Connor, who highlighted page 134 of the pack, which clarified the overall audit opinion (and noted its context in terms of the sector).</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>• Ian Blachford noted the wide-ranging progress made within the University since PwC’s appointment as internal auditors.</li> <li>• Kevin Gould thanked PwC for their work over the years on behalf of the committee.</li> </ul> <p>The Internal Audit Annual Report 2017-18 was approved for onward approval by the Board of Governors.</p>
1572	<p>[REDACTED]</p> <p>The committee received the <b>Annual Report of the Audit and Risk Committee 2017/18 (APPROVAL)</b> AR/110/09, introduced by the Clerk to the Board of Governors &amp; Chief Operating Officer, who noted that the Chair of the committee had seen the draft prior to the meeting and that her comments had been incorporated.</p> <p>The Annual Report of the Audit and Risk Committee 2017-18 was approved for onward approval by the Board of Governors.</p>
1573	<p><b>CONFIDENTIAL MINUTE</b></p> <p>The committee considered the <b>Draft Internal Audit Plan 2018-19 (APPROVAL) and working protocol</b> AR/110/10 and 10a, introduced by Lisa Randall of RSM. The following main points were noted:</p> <ul style="list-style-type: none"> <li>• The draft Internal Audit Plan had been informed by meetings and discussions with Executive, comments from the committee, PwC’s previous coverage, and external context.</li> <li>• The working protocol document could be amended as needed once rolled out and would be kept under review.</li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> </ul>

1574	<p><b>CONFIDENTIAL MINUTE</b></p> <p>The committee received the <b>Financial Statements for y/e 31 July 2018</b> (APPROVAL), introduced by the Chief Financial Officer and Deputy Chief Executive, comprising the following:</p> <p>i. <b>Draft 2017/18 Annual Review and Financial Statements, including Letter of Representation, and subsidiary accounts</b> AR/110/11 plus Appx A, B &amp; C. The following main points were noted:</p> <ul style="list-style-type: none"> <li>The cover sheet was very broadly similar to the document presented as an early indicator at Board of Governors on 20 September 2018.</li> <li>The Annual Review had not been presented as an early indicator. The format had been refreshed from previous years.</li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould noted that the Unitemps Letter of Representation referred to being approved by the Board of Governors rather than by the Board of Unitemps, and Rob Fekete confirmed that this would be rectified.</li> </ul> <p>ii. <b>Draft KPMG audit highlights memorandum and management letter</b> AR/110/12 and Appx A (introduced by Simon Stanyer of KMPG). The following main points were noted:</p> <ul style="list-style-type: none"> <li>The audit had been straightforward and clean, with no errors found by KPMG.</li> <li>A very recent ruling on Pensions was likely to mean the inclusion of a post-balance sheet note on this, as it would for all universities.</li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould commended the work done by the Chief Finance Officer's team, noting that an external audit management letter with no recommendations was rare.</li> <li>Kevin Gould asked about the Vice Chancellor's median pay ratio and Ian Blachford clarified that this would be brought to the Board of Governors as part of the Annual Statement of Remuneration.</li> </ul> <p><i>It was also noted that the Financial Statements were to be shared with Sustainability and Resources Committee on 06 Nov 2018 and presented for formal approval at Board of Governors on 21 Nov 2018.</i></p> <p>It was agreed that these would progress to the Board of Governors for approval.</p>
1575	<p>The committee received a <b>Procurement Strategy Update</b> (DISCUSSION) AR/110/13, introduced by the Chief Financial Officer and Deputy Chief Executive, who noted that this item had been discussed several times at recent committee meetings and this was the first time a strategy in this area had been drafted for the University.</p> <p>It was agreed that this would be deferred to the next committee meeting, on 15 January 2019.</p>
1576	<p><b>CONFIDENTIAL MINUTE</b></p> <p>The Pro Vice Chancellor – Partnerships and Region introduced the <b>Catalyst-Funded Project Risk Register</b> (DISCUSSION) AR/110/14, noting the following:</p> <ul style="list-style-type: none"> <li>At the last meeting of the Committee on 5 June 2018, it had been agreed that a report on the risk context for the Catalyst project be produced for this, the first committee meeting of the academic year 2018/19, and updated throughout the life of the project. The attached was therefore provided for discussion and information.</li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li></li> </ul>
1577	<p><b>CONFIDENTIAL MINUTE</b></p> <p>The committee received an update on <b>Risk Management Framework Implementation</b> (DISCUSSION) AR/110/15, introduced by the Business Risk Manager, who noted the following main points:</p> <ul style="list-style-type: none"> <li>Since the last Audit and Risk Committee on 5 June 2018, a number of developments had taken place with the Risk Management implementation – the new software that supported the University risk register.</li> </ul>



	<ul style="list-style-type: none"> <li>All schools and services had now reviewed their historic risk registers where they existed, through their management teams in facilitated conversations with the Business Risk Manager. These discussions had reflected upon the identification of risks and the challenging of whether mitigating actions would in fact mitigate the level of risk.</li> <li>Training had been delivered to the nominated individuals within each school and service and ultimately responsibility rested with the Dean or Director of the School or Service, supported by their senior management team. Risk Management would be considered by each SMT on a quarterly basis.</li> <li>All the risks identified from each School and Service worked on a hierarchy basis and reported into one of the University's high levels risks, previously agreed by SLT and shared with the Audit and Risk Committee.</li> <li>Senior Leadership Team would consider Risk Management on a quarterly basis and these considerations would be shared as a standing agenda item on the Audit and Risk Committee and considered by the Board on an annual basis at the same time as the review of the risk appetites.</li> <li>The standard reports to be received by Schools and Services, SLT and Audit and Risk Committee were illustrated in Appendices A, B and C.</li> <li>These new arrangements would go live from December 2018 and would be reviewed by the internal auditors, as part of their annual internal audit plan in 2018 – 2019.</li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould commended the progress made since the last meeting, particularly in terms of embedding risk management amongst staff, and the draft risk register for each area of the University.</li> </ul>
1578	<p>The <b>Risk Appetite Update</b> (DISCUSSION) AR/110/16 was introduced by the Clerk to the Board of Governors and Chief Operating Officer.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould noted his opinion that the category of "hungry" for Estates should be reviewed, suggesting that "moderate" might be more appropriate given the current approach towards risk and action.</li> <li>Rob Fekete agreed that there was an element of interpretation in the application of the risk appetites and that whilst the University had moved away from "cautious", it was hungry for upgrade and opportunity in the area of Estates, but the approach being following allowed for risks to be mitigated. It was therefore agreed that the Estates risk appetite be classed as "moderate". The current approach was ambitious, rather than hungry for risk.</li> </ul> <p>The Risk Appetite Update was approved for progression to Board for approval.</p>
1579	<p>The Committee received the <b>*Annual Review of Public Interest Disclosure Policy*</b> (APPROVAL) AR/110/17. The Clerk to the Board of Governors noted that the copy of the policy included in the pack referred to HEFCE rather than Ofs, and that this would be rectified.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould noted the disparity between the three-year review cycle referred to on the policy cover sheet and the annual review process, and Ian Blachford confirmed that this would be reviewed.</li> </ul> <p>The Public Interest Disclosure Policy was approved.</p>
1580	<p>The Committee received the <b>*Annual Review of Risk Management Framework Policy*</b> (APPROVAL) AR/110/19 for information.</p> <p>The Risk Management Framework Policy was approved.</p>
<b>3 FOR INFORMATION</b>	
1581	The Committee received the <b>*Students' Union Accounts 2017-18*</b> AR/110/20 for information.
1582	The Committee received the <b>*Criminal Finance Act Project Plan Update*</b> AR/110/21 for information.
1583	<p>██████████</p> <p>The Committee received the <b>*HEFCE Assessment of Institutional Risk Update*</b> AR/110/22 for information.</p>
1584	<p>██████████</p> <p>The Committee received the <b>*Outstanding Actions against earlier Internal Audit Reports*</b> AR/110/23 for information.</p> <p>Members commented as follows:</p>

