

# MINUTES

## AUDIT AND RISK COMMITTEE, AR-119

<b>Date:</b>	Tuesday 26 January 2021
<b>Time:</b>	1500 for external Committee Members and auditors; 1530 for all other attendees
<b>Location:</b>	Microsoft Teams online meeting

### 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 (highlighted here in blue), will be redacted before publication of the agenda and minutes on the University's public website.*

Members		
Jonathan Chapman	Co-opted Committee Member	P
Tony Evans (Deputy Chair)	External Member	P
Kevin Gould (Chair)	External Member	P
Joanne Hannaford	External Member	A
Baljinder Kuller	External Member	A
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) <i>until item 1765</i>	IA
Clare Mayer	Business Risk Manager <i>until item 1765</i>	IA
Sally McGill	Chief Financial Officer & Deputy Chief Executive	IA
Lisa Randall	RSM (internal audit) <i>until item 1765</i>	IA
Lauren Rooke	Assistant Clerk to the Board of Governors (minutes)	IA

*P = Present (via Teams); A = Apologies; IA = In Attendance (via Teams)*

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

1 MEETING MANAGEMENT	
1750	<b>Apologies for absence</b> were received from Liz Barnes, Joanne Hannaford and Baljinder Kuller.
1751	There were no new <b>Declarations of interest</b> .
1752	The <b>Minutes of the last meeting of the Committee</b> , 29 October 2020 AR/119/01, were confirmed as a true and accurate record.
1753	<b>Matters arising:</b> <ul style="list-style-type: none"> <li>• <b>Minute 1731 - Draft Financial Statements and Annual Review 2019-20</b> – i) it was noted that these had been approved by Sustainability and Resources Committee and then at the 24 November 2020 Board of Governors meeting; ii) it was noted that following the Committee's request, actions from the KPMG audit management letter had been tracked and would appear on the outstanding audit actions report elsewhere on the agenda.</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Minute 1732 - Risk Management Framework</b> – It was noted that this had been circulated to all governors by email on 11 November 2020 and that a session via Teams for Committee members had been scheduled for 19 January 2020. The University-level risk registers and the risk appetites had been approved at the Board of Governors meeting on 24 November 2020 and were now reflected in updated Terms of Reference for the committees.</li> <li>• <b>Minute 1733 and 1734 – University-level risk registers and review of risk appetites</b> – it was noted that these had been approved at Board of Governors on 24 November 2020.</li> </ul>
1754	The <b>*Overview of annual business for 2020-21*</b> AR/119/02 was received for information.
<b>2 FOR DISCUSSION AND/OR APPROVAL (marked below accordingly)</b>	
1755	<p>The Committee discussed the following <b>internal audit reports 2020-21</b>:</p> <ul style="list-style-type: none"> <li>i) <b>Accommodation</b> (<i>reasonable assurance</i>) AR/119/03a (available on SharePoint) introduced by Lisa Randall, who noted the relatively positive current position and that recommendations/actions from the report had been anticipated by management and were already underway in some areas prior to finalisation of the report.</li> <li>ii) <b>Management of student housing Guild HE/UUK compliance review</b> (<i>substantial assurance</i>) AR/119/03b (available on SharePoint) introduced by Lisa Randall, who noted that this was the third compliance review of its nature produced by RSM and the final one of its review cycle.</li> <li>iii) <b>Student mental health</b> (<i>reasonable assurance</i>) AR/119/3c (available on SharePoint) introduced by Lisa Randall, who noted the timeliness of this review given the current pandemic.</li> <li>iv) <b>Progress report</b> AR/119/04</li> </ul> <p><i>(Documents <a href="#">AR/119/03a</a>, <a href="#">3b</a> and <a href="#">3c</a> were rated low- or medium-risk and were therefore available on SharePoint rather than included in the papers. Exec summaries are given in the Progress Report, AR/119/04.)</i></p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> <li>• Kevin Gould asked whether there were concerns around audit processes due to remote working, and whether students were interviewed for reviews such as the Accommodation internal audit. Lisa Randall highlighted that workarounds had been found where necessary, including for example, virtual walkabouts via phone/tablet for Estates reviews. Lisa further noted that in usual times, students would be spoken to on in-person site visits/walkarounds around accommodation blocks, but that this was not practicable currently.</li> <li>• Jonathan Chapman asked about recommendations and management actions arising from reports. Lisa Randall confirmed that the committee received an update report from management and that within the internal audit plan, there was one audit on follow up actions. This focused upon reviewing the actions of the academic year, validating those closed off as complete and ensuring outstanding actions were effectively tracked. Closed actions from a previous audit year would not be revisited as part of the assignment as they would have been validated in the previous academic year. Those subject areas may be the focus of future audit work within the internal audit plan and at this point the internal auditors would reflect on previous audit reports and actions required and implemented.</li> <li>• Ian Blachford noted that a longer-term accommodation strategy was currently being considered and would be carefully reviewed in conjunction with the Students' Union where necessary.</li> <li>• Jonathan Chapman asked about outcomes around student mental health. Ian Blachford noted that student wellbeing had been very much a focus in recent years and the pandemic had helped progress the move to a more sustainable blended model which put more emphasis on providing self-help options, more effective triaging and helped reduce waiting times. The link between wellbeing and retention was well-documented and this year the University was not seeing a particular drop in retention, which was encouraging. Clare Mayer noted that a "Report and Support" team, set up to assist students who'd tested positive for Covid or were self-isolating, had been well-received.</li> <li>• Tony Evans asked about potentially offering our wellbeing provision services to a wider audience, to both assist and build links with the local community. Ian Blachford confirmed that this proposal would be relayed to the Director of Library and Student Services' team, for further consideration.</li> </ul> <p>The <b>three internal audit reports 2020-21</b> were approved, with the Committee agreeing that the <b>two Accommodation reports</b> would be referred to Sustainability and Resources Committee for information.</p>
1756	<p>The Committee considered for review the <b>High-level Risk Register 14 – Pandemic</b>, which outlined the key structural arrangements in place for this risk. The COO noted the following:</p> <ul style="list-style-type: none"> <li>• The Executive Summary set out the timeline so far in terms of the University's response to the changing government requirements and restrictions, and its management of the impact of the pandemic.</li> <li>• High-level risk register 14 was attached to this paper, providing an overview of the management framework for the pandemic.</li> </ul>

- [REDACTED]
- Regular briefings were given to staff at the weekly Creating Connections meetings; the daily IMT Silver meetings brought together key stakeholders; and daily reports were being made to PHE and OfS.

Members commented as follows:

- [REDACTED]
- Kevin Gould asked about the impact on the University's workforce. Ian Blachford noted that other than Senior Management, staff turnover rates were down in all areas. No redundancies had been made as a result of the pandemic although 120 staff had been furloughed during the first lockdown (ca. 20 were currently on furlough). A clear shift in attitudes around physical locations for working had taken place and candidates were being upfront early on about this.
- Tony Evans asked about liaison work with GCSE-age students, given that these exams were cancelled for 2021. Ian Blachford confirmed that the schools and colleges liaison team had had a virtual communications campaign in place and noted that our significant numbers of mature students meant that many prospective students would not in fact be sitting exams prior to coming to the University.

The updated **High-Level Risk Register 14 - Pandemic** was approved and would be referred on to the Board of Governors for approval.

- 1757 The Committee received for approval the **TRAC 2019-20 Submission - Executive Summary** AR/119/06, plus the TRAC 2019-20 presentation AR/119/06AppxA. The Chief Financial Officer and Deputy Chief Executive introduced the paper, noting the following:
- The TRAC return was submitted annually to OfS by 31 January 2021. The 2019-20 return had been reviewed and approved by the University TRAC Steering Group on 17 December 2020. This year's return and system processes had been subject to an internal audit review by RSM, who had confirmed verbally at the final audit review meeting on 6 January 2021 that there would be no management actions raised as a result of their audit. (The report itself would come to the March meeting of the Committee.)
  - The purpose of the 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 £17.6m to this year, compared to £16.5m in 2018/19 - an increase driven mainly by our increased depreciation and surplus forecasts.
  - Overall, the TRAC return showed a decreased recovery of full economic costs compared to last year (recovering 91.0% compared to 95.0% in 2018/19), attributable to increased staffing and restructuring costs during 2019/20 plus the increased MSI adjustment.
- Members and attendees commented as follows:
- Sally McGill highlighted that the Committee's role was to assure itself of the way that the TRAC return had been prepared, rather than with the content itself.
  - Jonathan Chapman asked about the RSM audit of TRAC and Lisa Randall confirmed that this the University's approach to TRAC had previously been considered.

	The <b>TRAC return submission 2019-20</b> was approved, with the Committee agreeing that this would be referred to Sustainability and Resources Committee for information.
1758	<p>The Committee received for approval the <b>annual review of Counter-Fraud Policy and Anti-Bribery and Corruption Policy (incl Gifts and Hospitality Policy)</b> AR/119/07, introduced by the Business Risk Manager, who noted the no amends had been deemed necessary for the review.</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> <li>Jonathan Chapman asked whether there had been any instances of fraud or money-laundering within the University. Clare Mayer clarified that the only report that had been made to Action Fraud related to payments made to the University from overseas students, but this had not impacted upon the University. It was noted that this was an issue across the sector.</li> </ul> <p>The <b>Counter-Fraud Policy and Anti-Bribery and Corruption Policy (incl Gifts and Hospitality Policy)</b> was approved.</p>
1759	<p>The Committee received for discussion a report on the <b>UKVI employer records mock-audit</b> AR/119/08, presented by the Chief Operating Officer. The following main points were noted:</p> <ul style="list-style-type: none"> <li>The Asylum, Immigration and Nationality Act 2006 placed a legal responsibility on employers to recruit staff with eligibility to work in the United Kingdom. Retention of the University's A-rating (Skilled Worker and Temporary Worker sponsor) was dependent on continued adherence to the procedures and practices set out by the Home Office (who could audit our procedures and records at any time).</li> <li>It was good practice for sponsor licence holders to conduct mock immigration compliance audits designed to periodically check that the operation of the licence was in accordance with the Government's UKVI immigration compliance requirements in the sponsorship of migrant worker staff.</li> <li>The University commissioned Shakespeare Martineau solicitors to undertake this work in November 2020. The audit was designed to emulate UKVI audit processes and included various checks and interviews.</li> <li>The resulting report (Appendix A) concluded that the University had passed the audit, with no evidence of illegal working having been identified. The auditor concluded that the University's processes were effective, with operational systems in place to promote compliance and to ensure sponsor licence duties are being met. Additionally, the auditor advised that the University's performance in the audit had demonstrated a good understanding of immigration compliance duties as evidenced by existing monitoring processes, with the University having performed more strongly than other HEIs in this regard. The University was also commended for its right to work checking procedures. Areas for improvement were identified, mainly with internal processes, to ensure comprehensive compliance. (Audit recommendations were given in the Executive Summary).</li> <li>An action plan was now in place to progress the recommendations made by the auditor and updates on progress would be made to future Audit and Risk Committee meetings. The University's risk register had also been updated to reflect the audit outcomes and implementation of the identified actions designed to mitigate future risk.</li> </ul> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> <li>Jonathan Chapman asked about the number of staff working in these categories and Ian Blachford confirmed that under 20 (varying month to month) were under Tier 2 arrangements. There were also small numbers of international students carrying out part-time work for the University. It was noted that smaller numbers did not in this case necessarily equate to less risk, as UKVI were extremely meticulous, regardless of low relative numbers.</li> <li>Tony Evans noted this in his experience, the work required to stay compliant in this area was significant, particularly when regulations changed frequently. Ian Blachford agreed that this was an onerous task but noted that the audit flagged several areas for improvement that would need to be addressed. Ian further noted that the June meeting of the Committee would receive a mock-audit report on the student element of UKVI regulations.</li> </ul>
1760	<p>The Committee received for discussion an update on the <b>Risk Management Framework (including changes to HLR1 and HLR2)</b> AR/119/09, presented by the Chief Operating Officer. The following main points were noted:</p> <ul style="list-style-type: none"> <li>The University-level risk registers (brought forward in the cycle due to the turbulence in the current external environment) were approved at Audit and Risk Committee on 26 October 2020, and subsequently at Board of Governors on 24 November 2020.</li> <li>Following discussion at University Executive Board, the external environment was considered further, with particular reference to the emerging direction of Government policy upon the University and the increased level and more focused direction of regulation, specifically from the OfS. (More detail on specific areas considered was given in the report.)</li> <li>Consequently, University-level risk registers for HLR1 (changes in Government policy) and HLR2 (the evolving demands of the OfS and other regulators) were specifically reviewed. It was recommended that the initial level of risk (raw) remained at 'major' and that the residual risk, following the application of controls on both registers be increased to 'major' from 'moderate'. (The updated HLRs were attached.)</li> </ul>

	<p>Members and attendees commented as follows:</p> <p>NONE</p> <p>The Committee approved the <b>recommended changes to high-level risk registers 1 and 2</b>, which would be presented to Board of Governors for approval, and agreed that the <b>Risk Management Framework update</b> should be referred to the Board of Governors for information.</p>
<b>3 FOR INFORMATION</b>	
1761	The Committee received for information the <b>*Outstanding actions against earlier internal audit reports tracker*</b> AR/119/10.
1762	<p>The Committee received for information the <b>Annual procurement report</b> AR/119/11.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Jonathan Chapman asked about procurement consortia, as well as the process around Single Tender Waivers (STVs). Sally McGill noted that the landscape for these was challenging and it was likely that several would need to merge in order to continue. Sally McGill further noted that all STVs required her sign-off, following submission of a business case.</li> </ul>
1763	<p>The Committee received for information the <b>Annual non-audit advisory services report</b> AR/119/12.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Jonathan Chapman asked for the approximate annual figure for KPMG's external audit service, for comparison purposes, and Mark Dawson confirmed that this was usually around £60k - £70k. Sally McGill noted that some work such as that on the China tax situation, had now been discontinued by KMPG (and allocated to PwC).</li> </ul>
1764	The Committee received for information the <b>*Gifts and Hospitality Register Annual Report*</b> AR/119/13.
<b>4 ADDITIONAL MATTERS</b>	
1765	<p><b>How have we made a positive impact on our students today?</b></p> <p>It was agreed that a continued and consistent focus on student mental health was key, as well as work to make the student accommodation offer more consistent. It was also noted that the considerable continued work to counteract the impact of the pandemic was crucial to the student experience.</p>
1766	<p>The Committee received for approval a proposal regarding the <b>internal audit service tender 2021-24</b> AR-119-14 (<i>this was circulated by email separately to the main papers.</i>)</p> <p>Members discussed the proposed way forward and approved this, for a final decision to be made at the next Audit and Risk Committee.</p> <p>The Committee approved the <b>internal audit service tender proposal 2021-24</b>, which would be referred on to the Board of Governors for information.</p>
1767	There were no <b>additional matters</b> .
1768	<p><b>Items to be referred to Sustainability and Resources Committee:</b></p> <p><b>For information</b></p> <ul style="list-style-type: none"> <li>a) <b>Minute 1755 (i)</b> Accommodation internal audit report and <b>(ii)</b> GuildHE/UUK Management of Student Housing Compliance Review</li> <li>b) <b>Minute 1757</b> - TRAC return submission 2019-20</li> </ul>
1769	<p><b>Items to be referred to Board of Governors:</b></p> <p><b>For information</b></p> <p>None</p> <p><b>For approval</b></p> <ul style="list-style-type: none"> <li>a) <b>Minute 1756</b> – Review of high-level risk register 14 – Pandemic</li> <li>b) <b>Minute 1760</b> – Risk Management Framework update (incl changes to HLR1 and HLR2)</li> </ul>
1770	<b>Next meeting:</b> Tues 9 March 2021 (Boardroom, University House)