

MINUTES

AUDIT AND RISK COMMITTEE, AR-122

Date:	Tuesday 26 October 2021
Time:	1500 for external Committee Members and Auditors; 1530 for all other attendees
Location:	Boardroom, University House

Notes:

1. *Items marked with an asterisk (starred items) are 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 will be placed on the Register of Confidential Minutes (reviewed annually). These items, and their subsequent minutes, will be redacted before publication of the agenda and minutes on the University's public website.*

Members		
Jonathan Chapman	External Member	P
Mohit Dhingra	Co-opted Committee Member	P
Kevin Gould (Chair)	External Member	P
Baljinder Kuller	External Member	P
In attendance		
Ian Blachford	Chief Operating Officer and Clerk to the Board of Governors	IA
Lauren Shepherd	KPMG (external audit) <i>until item 1822</i>	IA (T)
Lisa Randall	RSM (internal audit) <i>until item 1822</i>	IA (T)
Clare Mayer	Business Risk Manager	A
Sally McGill	Chief Financial Officer & Deputy Chief Executive	IA
Lauren Rooke	Assistant Clerk to the Board of Governors (minutes)	IA

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

1 MEETING MANAGEMENT									
1807	Apologies for absence were received from Clare Mayer and Mark Dawson. Mohit Dhingra was welcomed to his first meeting of the Committee.								
1808	There were no new Declarations of interest .								
1809	The following Membership of the Committee for 2021/22 was noted: <table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">Constitution</td> <td>Membership</td> </tr> <tr> <td>External Members</td> <td>Jonathan Chapman (Deputy Chair) Kevin Gould (Chair) Baljinder Kuller VACANCY</td> </tr> <tr> <td>Co-opted Committee Member</td> <td>Mohit Dhingra</td> </tr> <tr> <td>In attendance</td> <td>Ian Blachford, Chief Operating Officer & Clerk to the Board Clare Mayer, Business Risk Manager</td> </tr> </table>	Constitution	Membership	External Members	Jonathan Chapman (Deputy Chair) Kevin Gould (Chair) Baljinder Kuller VACANCY	Co-opted Committee Member	Mohit Dhingra	In attendance	Ian Blachford, Chief Operating Officer & Clerk to the Board Clare Mayer, Business Risk Manager
Constitution	Membership								
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Co-opted Committee Member	Mohit Dhingra								
In attendance	Ian Blachford, Chief Operating Officer & Clerk to the Board Clare Mayer, Business Risk Manager								

	Sally McGill, Chief Financial Officer and Deputy Chief Executive Internal Audit representative External Audit representative Others as appropriate depending on Internal Audit reports
1810	The Minutes of the last meeting of the Committee , 08 June 2021 AR/122/01 were signed as a true and accurate record.
1811	Matters arising: <ul style="list-style-type: none"> Minute 1800 – it was noted that the proposal to appoint BDO as external auditors from 1 January 2022 had been approved by the Board of Governors at its meeting on 30 June 2021.
1812	The *Overview of annual business for 2021-22* AR/122/02 was received for information.
2 FOR DISCUSSION AND/OR APPROVAL (marked below accordingly)	
1813	The Committee Terms of Reference 2021-22 AR/122/03 were received, with the Committee agreeing to recommend these to the Board of Governors for formal approval.
1814	The Committee received for approval the following internal audit reports 2021-22: <p>a) Audit Follow-Up (<i>reasonable progress</i>) AR/122/04</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Lisa Randall noted that outstanding actions would be assessed by KPMG once they were on board as the new internal auditors. Mohit Dhingra asked about the timeline for the actions shown in this report. Ian Blachford noted that end of December was the deadline for most of the remaining actions, noting that some were overdue, and some had yet to reach their expiry. <p>b) Estates: Gas & Legionella (<i>substantial assurance</i>) AR/122/05</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> It was highlighted that this was a positive report overall into an area with robust controls, and that as usual, actions would be tracked. <p>c) GuildHE/UUK Review of Code of Management of Student Housing (<i>reasonable assurance</i>) AR/122/06</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Lisa Randall underlined that this was a slightly different reporting style as RSM's assessments in this area were made based on the code verbatim. <p>d) Safeguarding incl Prevent (<i>reasonable assurance</i>) AR/122/07</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Lisa Randall underlined that this report showcased excellent engagement and was a useful example of an audit whereby actions were already closed down at the reporting to Committee stage. Kevin Gould asked about transparency of risk assessments (as referenced within the report recommendations) and Ian Blachford provided clarification on this and noted that the Board of Governors would see details in the annual Prevent report due at the next Board of Governors meeting. <p>e) Cultural Development (<i>substantial assurance</i>) AR/122/08</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> It was noted that the School of Health, Science and Wellbeing had not been covered within the report, as the School had been in the process of restructuring/realignment. Jonathan Chapman asked about the use of pulse surveys to augment the full survey findings. Ian Blachford confirmed these were done through the staff app, and a pulse survey to understand progress and sentiment was due to be undertaken in the new year with regard to the cultural development programme. <p><i>(Documents AR/122/04 to AR/122/08 are rated low- or medium-risk and are therefore available separately on SharePoint rather than included in the papers. N.B. There is no document AR-122-09.</i></p>

	The Committee approved the above four 2021-22 internal audit reports .
1815	<p>The Committee received for discussion the KMPG audit on subcontracting of apprenticeships AR/122/10, introduced by the Chief Financial Officer and Deputy Chief Executive, who noted the following main points:</p> <ul style="list-style-type: none"> Subcontracted arrangements for apprenticeships delivery were subject to Education and Skills Funding Agency (ESFA) rules for sub-contracting (where delivery exceeded £500,000 the ESFA required a certificate of compliance following external auditor review). Prior to 2019/20, the University had been below the threshold but delivery of the Police Constable Degree Apprenticeship (PCDA) with West Midlands Police Force alone took us above. The University's provision in this area (in which there had been a number of cases of fraud by certain providers, hence the imposition of the ESFA rules and audit requirements) in recent years had grown significantly. The audit had been undertaken by KPMG in the first week of July 2021. No high-risk observations had been made and the certificate of compliance would be issued and submitted to the ESFA shortly. The auditors had identified 2 medium-risk and 2 low-risk observations, detailed in the report, and made recommendations. All actions arising from the audit would be added to the University's internal audit management actions tracker <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Kevin Gould asked about the unique nature of our provision within the marketplace and Sally McGill confirmed the University was relatively unusual in having four large contracts (one of which was with the West Midlands Police Force), as well as providing services to a wider range of employers within the region. The University had also now secured a contract with the MoD. Jonathan Chapman asked about a broader picture of the University's relationships with sub-contractors and assurance around these relationships. Sally McGill highlighted the recent move to Ironclad, a secure electronic workflow system for contract signage and storage, now was providing an overview of the University in terms of contracts with third parties. However, this was a developing picture, as only new contracts were now being captured by the new system, although over time, this would cover all live contracts.
1816	<p>The Committee received for approval the RSM Internal Audit Annual Report 2020-21 AR/122/11, introduced by Lisa Randall, who noted that the report was still in draft at this stage. The report gave an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control, governance and economy, efficiency and effectiveness processes.</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Discussion focused on the factors that had influenced the audit opinion, such as the audits delivered throughout the plan and the quality of papers brought to Audit and Risk Committee on risk reporting and risk management. Kevin Gould highlighted that the audit opinion for the University was again pleasing. <p>The Internal Audit Annual Report 2020-21 was approved for onward approval by the Board of Governors.</p>
1817	<p>The Committee received for approval the Annual Report of the Audit and Risk Committee 2020-21 AR/122/12, introduced by the Chair of the Committee, who noted that he had fed back on an earlier draft and that the report provided an overview of the Committee's work during the year.</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Kevin Gould highlighted that there were discussions to be had, ahead of next year's report, on strengthening the Value For Money section of the report. This was agreed, with a specific focus upon how this is defined and how this is embedded within the Internal Audit Annual Plan. <p>The Annual Report of the Audit and Risk Committee 2020-21 was approved for onward approval by the Board of Governors.</p>
1818	<p>The Committee received for approval the Draft Financial Statements for y/e 31 July 2021:</p> <ol style="list-style-type: none"> Draft 2020/21 Financial Statements AR/122/13 (incl AppxA and B) Draft KPMG audit management letter AR/122/13AppxC <p><i>(The Financial Statements were presented here for Audit and Risk Committee for approval and compliance with the OfS accounts direction. They were also shared for approval with Sustainability and Resources Committee on 02 Nov 2021, along with the Annual Review, and presented for formal approval at Board of Governors on 23 Nov 2021.)</i></p>

	<ul style="list-style-type: none"> • Kevin Gould proposed that the final draft of the Annual Review be circulated to the Committee, in order to show consistency with the accounts. • Mohit Dhingra asked for clarification on the line relating to “other comprehensive income” and the decrease in investment income, and Sally McGill confirmed that the former related to LGPS pension accounting fluctuations, and the latter to the drop in interest rates on short-term deposits. • Lauren Shepherd highlighted that KPMG’s audit was substantially complete, and the going-concern opinion would shortly be finalised following KPMG’s usual internal processes. • Jonathan Chapman asked about the audit opinion wording and Lauren Shepherd clarified that “balanced” meant “neutral” in this context. • Kevin Gould asked about the audit opinion on the University’s restructuring provision, and Lauren Shepherd clarified that this was ongoing. • Mohit Dhingra asked for clarification on the recommendations in KPMG’s audit management letter, and it was confirmed that some of these were still being worked through with management but that there was no material impact. • Kevin Gould asked for clarification on references to federal aid and Sally McGill noted that this was included now that we were in a position to draw down on US federal loans for eligible students. <p>The Draft Financial Statements 2020/21 and KPMG Audit Management Letter were approved and would be referred to Sustainability and Resources Committee (and then on to Board of Governors).</p>
1819	<p>The Committee received for discussion the Risk Management Framework Update AR/122/14, introduced by the Chief Operating Officer, who noted the following main points:</p> <ul style="list-style-type: none"> • The report provided an update for the committee on the recent interim review of the University High-Level and Operational-Level Risk Registers and the implementation of the Risk Control Self Assurance Process (RCSA). • Three additional high-level risk registers were currently being developed and would be shared with the Committee (and subsequently the Board) for approval. • The implementation of the RCSA process for the University had had a positive impact on the areas of the University that had now undertaken this process. A number of areas remained unassessed at this stage, in line with the project plan. These would be completed as part of the schedule later in the year. • The self-assessment process required the school/service management teams to review the listed controls on their school/service risk registers and to challenge whether the controls identified were responsible for reducing the level of risk exposure. The outcomes were then reflected in a rating for each control, which were then challenged by the Business Risk Manager as a second line of oversight and challenge before the final ratings were determined. • The early learning from the exercise to date had been the need for senior management teams to devote reasonable time to deliberate on the effectiveness of the controls, amongst other priorities relating to the new academic year. • The results so far showed a solid profile of substantial assurance and adequate assurance thus far. A further update would be provided at the next Audit and Risk Committee. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould commended the level of engagement from staff, echoed by Mohit Dhingra in the control assurance programme of work. • Kevin Gould asked about the projected timeline and Ian Blachford noted that the first stage was planned for completion by Christmas, with an update at the January 2022 Audit and Risk Committee and the plan to complete the review and reflect on finding by the April 2022 meeting.
1820	<p>The Committee received for approval the Review of risk appetites AR/122/15, introduced by the Chief Operating Officer, who noted the following principal points:</p> <ul style="list-style-type: none"> • The University’s risk appetite had been defined overall as Open in the latest review in Summer 2021 (a continuance of the March 2018, March 2019 and October 2020 categorisation, with the latter having been brought forward from the planned schedule of Feb/Mar 2021). • The University’s focus over this period had been to ensure process and procedures were in place and that identified ineffective areas had been actively addressed, allowing the opportunity for the University to be more open to innovation and new options and to be open to risk in the pursuit of these strategic objectives. • Amendments to the sub risk categories were as follows: <ul style="list-style-type: none"> ○ UK Partnerships – from Open to Open-Hungry ○ Research Funding – from Open to Open-Hungry ○ Equality Diversity and Inclusion – from Moderate to Moderate-Open ○ Estates – from Moderate to Moderate – Open ○ Quality Assurance - from Cautious-Moderate to Moderate • The background thinking for the changes to the risk appetite were explained at the Committee.

	<ul style="list-style-type: none"> The Audit and Risk Committee was asked to consider this recommendation for the risk appetite to remain at Open and to approve the amendments to the supporting sub risk appetites, before formal approval by the Board of Governors at its November 2021 meeting. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Mohit Dhingra asked about the process for measuring actual positions against the set appetites. Ian Blachford highlighted that the University needed to ensure that the risk appetites were reflected in the new five-year business plans within schools that were being created in the new year, the enabling strategies supporting the strategic plan and through the work of the Business Risk Manager in the control environment. Mohit Dhingra noted that the University may want to consider a risk appetite for governance, which would be reflected upon at the next review point. <p>The Review of risk appetites was approved for onward approval by the Board of Governors.</p>
1821	<p>The Committee received for approval the University-level risk registers AR/122/16, introduced by the Chief Operating Officer, who noted the following principal points:</p> <ul style="list-style-type: none"> At the March 2021 meeting of the Audit and Risk Committee, the Committee received the University-level risk registers for consideration. (These had already been considered by the Senior Leadership Team on 23 February 2021.) At this meeting the Committee noted that: <ul style="list-style-type: none"> the residual risk of both the Regulators (HLRR2) and Government Policy (HLRR1) risk registers had been increased just prior to Christmas 2020 and that given the continued turbulence within the sector and beyond, this increase in residual risk still felt appropriate. This increase had been approved by the Audit and Risk Committee in January 2021. The Pandemic risk register (HLRR14) had also been updated in terms of its high-level controls for the Audit and Risk Committee in January 2021. It had also been identified that the risk registers had been updated generally to reflect UEB ownership of these and with the exit of the PVC - Place and Engagement and the new role of PVC - Education. It had been decided that the Brexit risk register would be retired. We had also identified the need for a new University-level risk register regarding UKVI compliance. <ul style="list-style-type: none"> The University-level risk registers were presented for discussion and approval, noting the following changes since the last meeting: The creation of three new risk registers at University level reflecting the themes of sustainability, employability and partnerships, particularly with the blurring of portfolios between Higher Education and Further Education. (These are currently under development.) In addition, there has been one change to the wording of a control regarding Ofsted in the Regulators University level risk register (HLRR2). <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Discussion took place regarding the RAG rating of the inherent risks and the residual risks, reflecting that many of these were categorised as red for the inherent risks and red and amber for the residual risks, once controls had been put in place. Ian Blachford explained that the inherent risks reflected the current turbulence within the sector, which had increased further over the last twelve months, particularly regarding the uncertainty of government policy direction, the future of the higher education sector and increased negative publicity around it, and increased interventions by the regulator. It was noted that whilst these residual risks had reduced in score, some remained red or amber rated, reflecting that the risks associated with these were currently still largely beyond the control of the University. <p>The University-level risk registers were approved for onward approval by the Board of Governors.</p>
1822	<p>The Committee received for discussion the Health, Safety and Wellbeing Annual Report 2020-21 AR/122/17, introduced by the Chief Operating Officer, who noted the following main points:</p> <ul style="list-style-type: none"> The annual report provided an outline of the main activities, progress and impact in the University approach to health, safety and wellbeing, using the Health and Safety Executive's good practice model for the academic year 2020-2021. The report outlined that the health, safety and wellbeing function of the University had been integral once more to the response to COVID-19 management across the University, together with outlining what activities had continued during this time and those that had been deleteriously impacted. The report provided updates on areas including the deployment of new or refreshed policies, the implementation of a broader programme of health, safety and wellbeing training for staff, and the participation rates of online mandatory training for new starters. The report also provides an update on some key statistics, including decreases in accidents on campus and sickness absence. It was noted that mental health remained the largest cause of sickness absence within the University, and

	<p>this had continued to inform the positive developments being introduced relating to the working environment generally and from a wellbeing aspect specifically.</p> <ul style="list-style-type: none"> The report also explained the roll-out of the interventions identified in the Wellbeing Strategy previously approved by SLT in 2020 and shared with the Governors, the confirmation of Estates compliance with regard to health and safety requirements, as shared with the Governors, and the health, safety and wellbeing priorities for the new academic year. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Baljinder Kuller asked about gaining further insight into staff sickness absence around mental health and clarification on this was given by Ian Blachford. Kevin Gould noted that the Committee had previously focused on student wellbeing, but potentially would also want to consider including staff wellbeing within a future internal audit plan.
1823	<p>The Committee received for discussion the Procurement Value Survey (Benchmarking) 2019-20 AR/122/18, introduced by the Chief financial Officer & Deputy Chief Executive, who noted the following main points:</p> <ul style="list-style-type: none"> The paper summarised the outcome and benchmarked the University's performance from the Procurement Value Survey completed in January 2021 for the financial period 2019/20. The aim of the PVS was to gather institutional and sector-wide efficiency data in line with the HE Sector Benefits Methodology. The invitation to complete the 2019 / 2020 PVS was open to all English and Welsh institutions. A total of 81 responses were received. A number of institutions had reported that they were unable to complete the 2019/20 PVS due to the impact of the Covid-19 pandemic on team availability, resource constraints and Covid-19 response prioritisation. The 2019/20 PVS covered only part of the Covid-19 pandemic period. The full impact from the Covid-19 pandemic would become clearer in the 2020/21 PVS. To enable Universities to benchmark their performance against similar sized organisations, data had been split based on the turnover of the institutions. Staffordshire fell into the range of £100m - £200m with a total of 17 universities being in this group. Staffordshire University procurement services were performing 'above average' based on the sector performance indicators for our size of institution. (The exception to this was impactable spend with SMEs, which was lower in the 19/20 year due to higher-than-normal level of expenditure on large projects where the main contractor had to be a larger organisation in order to take on a contract of that size). <p>Members and attendees commented as follows:</p> <p>NONE</p>
1824	The Committee received and approved the *Annual review of Public Interest Disclosure policy* AR/122/19.
1825	The Committee received and approved the *Annual review of Risk Management Framework policy* AR/122/20.
1826	The Chief Operating Officer gave a verbal update on the position with the review of performance of the Committee . The Chair of the Committee further noted that Members were free to contact either him or the Clerk at any point with any feedback.
3 FOR INFORMATION	
1827	<p>The Committee received for information the paper on *Outstanding actions against earlier internal audit reports* AR/122/21, introduced by the Chief Operating Officer.</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Mohit Dhingra asked if in future, these reports could specify relevant due dates and this was agreed.
1828	<p>The Committee received for information the *Students' Union annual accounts 2020-21 (draft)* AR/122/22 (<i>available on SharePoint</i>), introduced by the Chief Financial Officer & Deputy Chief Executive.</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Kevin Gould asked about pensions liability, and Sally McGill confirmed that although the Students' Union had now moved to a defined contribution scheme, they had substantial previous liability which was being repaid annually. <p>It was agreed that the Student's Union annual accounts 2020-21 (draft) be referred to Sustainability and Resources Committee for noting.</p>
1829	The Committee received for information the *Annual UKV&I report 2020-21* AR/122/23.

1830	The Committee received for information the *Annual Public Interest Disclosure report 2020-21* AR/122/24.
4 ADDITIONAL MATTERS	
1831	<p>How have we made a positive impact today?</p> <p>It was agreed that assurance around student housing, sustainability, a safe studying environment, and health, safety and wellbeing were all of significant importance both in the medium and the long-term.</p>
1832	<p>Any additional matters:</p> <ul style="list-style-type: none"> a) Sally McGill gave a brief update on the plans of the University's current tax advisors, PwC, to move their global mobility tax and immigration services business into a new freestanding organisation. b) The Committee Chair thanked the outgoing internal and external auditors for their work.
1833	<p>Items to be referred to Sustainability and Resources Committee:</p> <p>Approval</p> <ul style="list-style-type: none"> a) Minute 1818 – Draft Financial Statements for y/e 31 July 2021 (Financial Statements 2020/21; Draft KPMG audit management letter) <p>Information</p> <ul style="list-style-type: none"> b) Minute 1814 – b) RSM IA report - Estates: Gas & Legionella; c) GuildHE/UUK Review of Code of Management of Student Housing c) Minute 1828 – Students' Union Accounts 2020-21 (draft)
1834	<p>Items to be referred to Board of Governors:</p> <p>Approval</p> <ul style="list-style-type: none"> a) Minute 1813 – Committee Terms of Reference 2021-22 b) Minute 1816 – RSM Internal Audit Annual Report 2019-20 c) Minute 1817 – Annual Report of the Audit and Risk Committee 2019-20 d) Minute 1820 – Review of risk appetites e) Minute 1821 – University-Level Risk Registers
1835	Next meeting: Tues 25 January 2022 (Leek Road campus - venue TBC)