AUDIT COMMITTEE   **5 February 2019**

Present:	Mr Colin Gillespie (in the Chair)
	Mr Trevor Rees

Apologies:	Mrs Ann Barnes
	Ms Erica Ingham
	Mr Robin Phillips
	Dr John Stageman (Chair of Finance Committee; invited to be in attendance)

In attendance:	President and Vice-Chancellor
	Registrar, Secretary and Chief Operating Officer (RSCOO)
	Director of Finance
	Director of Compliance and Risk
	Financial Controller
	Mr Michael Green, EY LLP
	Mr Richard Young, UNIAC
	Ms Silla Maccario, UNIAC
	Vice-President (Teaching, Learning and Students) for item 7(i)
	Chief Information Officer for item 7(i)
	Ms Rachel Emmott, Head of Costing and Research Finance for items 4-6

Secretary:	Deputy Secretary

1.   Declarations of interest

Noted: all declarations previously reported to Audit Committee: there were no new declarations of interest.

2.   Minutes of the Meeting held on 7 November 2018

Resolved: that the minutes of the previous meeting be approved.

3.   Matters arising

Noted: all matters arising were covered elsewhere on the agenda

4.   Transparent Approach to Costing (TRAC) return

Received:
(1)   The University's TRAC results summary, covering the return submitted to the Office for Students (OfS) in January 2019.
(2)   A presentation to the Committee, from Rachel Emmott, Head of Costing and Research Finance, covering the purpose of the return and the main conclusions.

Reported:

(1)   TRAC is the standard method used for costing in higher education in the UK.
(2)   UK HE institutions attribute costs from their audited financial statements to activities at an institutional level. This leads to annual reporting by institutions of the costs of Teaching (split into publicly funded and non-publicly funded), Research (split in the same way as Teaching and by Research Sponsor), and other institutional activity. This return is based on the 2017-18 published Financial Statements with a submission deadline of 31 January 2019.

(3)   There is a formal requirement that the TRAC Return is also approved through a Board Committee. To ensure submission before the deadline, OfS permitted approval by the Chair on behalf of the Committee, provided that the return was submitted to the Committee subsequently (responsibility for confirming compliance continues to rest with the Committee). The TRAC return had been agreed through the TRAC Oversight Group and at the TRAC/FEC Operational Board and had been recommended for approval by Finance Sub-Committee.

(4)   At a headline level, key outcomes were:

[Redacted-restricted information]

   Noted:

(1)   The Chair had approved the return which had been signed by the President and Vice-Chancellor and submitted prior to the deadline of 31 January 2019.

[Redacted-restricted information]

Resolved: the TRAC return submitted to OfS was supported and endorsed.

Action: Director of Finance, Deputy Secretary

5.   **TRAC (T) Return**

Received: a report setting out the process for approving the TRAC (T) return.

Reported:

(1) TRAC(T) is a framework for costing teaching based on the established principles of the Transparent Approach to Costing (TRAC) and is a subset of the data held within the overall TRAC return. TRAC(T) is reported using HESA cost centres along with an overall institution total. This is different from the TRAC return which is reported at institution level only.

(2) OfS had changed the approval process for the TRAC(T) return and required it to be approved by the Committee; as with the main TRAC return, OfS permitted approval by the Chair on behalf of the Committee, provided that the return was submitted to the Committee subsequently (responsibility for confirming compliance continues to rest with the Committee). Deadline for submission was 28 February 2019.

Noted:

(1)   The return was subject to internal sign off by the TRAC and FEC Operational Board and liaison with the Chair of the Committee would take place once approval had been received by that body.

(2)   It was difficult to achieve meaningful granularity below the level of HESA cost centre; overall, average cost per student was **[Redacted-restricted information]** with significant differences between cost centres. Based on the most recently available benchmark data, this placed the University above benchmark and further detail would be included in the report to the Chair and then to the Committee.

Resolved:

(1) That the Chair of Audit Committee approve the University's 2017-18 TRAC(T) return on behalf of the Committee, to enable the President and Vice-Chancellor to sign off the return to OfS by the deadline of 28 February 2019.

(2) That the 2017-18 TRAC(T) return be presented to the Committee at the May 2019 meeting to provide post-submission compliance with the TRAC requirements and sign-off of the return.

Action: Director of Finance, Deputy Secretary

6. **Office for Students (OfS) audit of 2016-17 research income informing 2018-19 quality-related charity support funding**

   Received: a report received following an audit visit carried out by the OfS in November 2018 and a related detailed action plan.

   Reported:

   (1) The purpose of the audit was to seek assurances over the effectiveness of the systems and processes used to collate the 2016-17 HESA Finance Record data relating to quality-related charity support funding for 2018-19, and the accuracy of the data submitted to HESA for these funding purposes; the audit was undertaken on behalf of Research England

   (2) The audit conclusions were that the OfS had not gained assurance on either the effectiveness of systems and processes used to collate the 2016-17 HESA Finance Record data relating to quality related charity support funding for 2018-19 or the accuracy of the data submitted to HESA relating to quality related charity support funding for 2018-19.

   (3) OfS had advised that an indicative funding reduction of [**Redacted-restricted information]** was required to be submitted as an amendment to the HESA Finance record data, along with the Action Plan.

   Noted:

   (1) Anecdotally, the University was aware that similar findings had arisen in parallel audits in other institutions and in comparison, the University's indicative funding reduction was relatively modest.

   (2) The Action Plan included reference to further checks being inserted into the new awards management system (PURE) and the Committee suggested that the stated date by which this would be achieved (December 2019) be reviewed and brought forward.

   (3) Regarding training and dissemination to relevant staff, the December 2019 deadline related to implementation of this rather than design.

   Resolved: that the Action Plan be endorsed, subject to review of deadlines as outlined above.

7. **Internal Audit and Internal Control**

   (i) Student Lifecycle Project

   Received: the full report arising from the review of the Student Lifecycle Project (SLP); the review had focused on both (capital and operating) costs and benefits and had assessed governance and communications.

   Reported:

(1) The review had concluded that there were significant opportunities for improvement in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.

(2) Key areas of focus of the review were;

    (a) Project benefits: notwithstanding the deployment of "agile" methodology which involved progression through iterative stages, the review noted a lack of clarity and shared understanding of benefits post-implementation, with implications for both project governance and communications.

    (b) The balance between the "IT focus" and "business focus" of the project and the need to ensure that projects progress on the basis of an effective dialogue and fusion of expertise from relevant professional services and business users.

    (c) Project governance, reflecting on the respective roles of Change and IT Projects Sub-Committee (CITPSC), Programme Management Board, the SLP Board. Steps had already been taken to strengthen and refine CITPSC and SLP Board.

    (d) Precision of papers and minutes; there was scope for improvement to ensure clarity and remove ambiguity, noting an inconsistent narrative in relation to the terms of the initial allocation of funds to the project.

    (e) Clarity of financial papers and impact on effective financial oversight and ability for constructive challenge.

    (f) Co-ordination across groups.

(3) The review proposed that the RSCOO oversee consideration and potential changes to project governance, presenting revised structures, roles and responsibilities to Planning and Resources Committee by June 2019 and setting out a timeline for implementation.

Noted:

(1) As the review indicated, steps had already been taken to strengthen project governance.

(2) Once realised, the project would enhance the experience of both students and staff and achieve efficiencies; clarifying benefits and managing expectations was essential and recent communications, including the launch of an explanatory video were addressing this issue.

(3) A key element of the project was avoidance of customisation wherever possible and ensuring non-proliferation of local variants. There had been extensive engagement with process owners and subject experts, as processes were re-engineered with the aim of streamlining and standardising in order to deliver outcomes to enhance the student experience. There were significant challenges in avoiding over-customisation given the devolved nature of the University, embedded culturally since the 2004 merger.

(4) Engagement of process owners and subject experts (which would continue in March with user acceptance training) was challenging as staff combined this developmental activity with existing workload and business as usual.

(5) The role of the Project Management Office was under review and an interim Transformation Director had been appointed as a precursor to a permanent appointment; the governance framework and the role of different bodies within that framework was also under review.

(6) Generally, both within and outside the sector, there were challenges in delivering major IT related business transformation projects on time and within budget.

Resolved: to receive progress reports at future meetings.

Action: Vice-President (Learning, Teaching and Students) and Chief Information Officer

ii) Uniac Progress Report

Received: the Internal Audit Progress Report for the period covering November 2018 to January 2019.

Reported: that, in addition to the SLP review, Uniac had finalised and completed the seven audits outlined below since the last meeting of the Committee.

(a) Review of Workshops Management (Faculty of Science and Engineering-FSE)

Reported:

(1) The audit assessed processes to manage workflow in FSE workshops with a view to recommending potential improvements.
(2) The review had resulted in a reasonable assurance for outcomes for effectiveness of implementation and had identified significant opportunities for improvement in effectiveness of design and economy and efficiency.

Noted:

(1) The work had been undertaken in the context of the future introduction of a shared workshop facility in the Manchester Engineering Campus Development (MECD) building, which will require an overall booking and prioritisation system.
(2) Although some examples of good practice had been noted, generally the review had identified inconsistencies in approach and the lack of a central system.
(3) The recommendations in the review were helpful in the context of plans for new centralised workshop stores in the MECD development, from September 2021.

(b) Review of Information Governance-User Training and Incident Handling

Reported:

(1) The review was one of a series of audits around the theme of Information Governance compliance, following the implementation of the General Data Protection Regulation (GDPR) in May 2018.
(2) The review had resulted in reasonable assurance for the outcomes for effectiveness of design and effectiveness of implementation and had identified significant opportunities for improvement in economy and efficiency.

Noted:

(1) There was scope to improve management and administration of training, including verification of completion of mandatory training
(2) The decision to refer incidents to the Information Commissioner's Office (ICO) was informed by the University Data Protection Officer, a role with a significant degree of autonomy, designated under GDPR.

(c) Review of Student Experience-NHS Placements (Faculty of Biology, Medicine and Health-FBMH)

Reported:

(1) The review sought to provide assurance that the mechanisms and processes to ensure appropriate undergraduate student experience whilst on NHS placements in FBMH was effective and efficient.
(2) The review had resulted in reasonable assurance outcomes for effectiveness of design and effectiveness of implementation and economy and efficiency.

(3) Given the range of disciplines involved and the requirements of different regulators, the successful operation of student placements requires a significant amount of effort and resource by the University and significant coordination with the host organisations.

(4) Notwithstanding the range of regulators, there were opportunities to standardise the approach in some areas (eg timetabling of placements)

(d) Review of compliance with OfS Registration Conditions

Reported:

(1) The review assessed the University's assurance mechanisms around continued compliance with OfS registration conditions, noting that the approach was evolving and many conditions became live on 1 August 2019.

(2) The review had resulted in reasonable assurance outcomes for effectiveness of design and effectiveness of implementation and economy and efficiency.

Noted:

(1) The updated University Risk Register now included a new entry to reflect the risk of non-compliance with OfS Conditions of Registration.

(2) The OfS position was still evolving; its approach differed from the former HEFCE with less engagement in direct dialogue with the sector. Further guidance was anticipated in some areas (e.g Access and Participation Plans and Student Protection Plans) as OfS reflected on lessons learned from the initial registration process.

(3) The Directorate of Planning had developed operational level mapping and monitoring and further discussion was ongoing about the extent of the framework required to provide comprehensive and satisfactory assurance (including to the Committee and the Board).

(4) There were some areas (e.g. Value for Money) where lack of further guidance could result in misalignment of related work with OfS expectations.

(f) Review of compliance with Universities UK Accommodation Code of Practice-UUK ACoP (University Halls)

Reported:

(1) The UUK AcoP for Management of Student Housing required an audit on compliance with the Code at least every three Years.

(2) The review had resulted in substantial assurance outcomes for effectiveness of design and effectiveness of implementation and economy and efficiency.

**(g)Review of compliance with Universities UK Accommodation Code of Practice-UUK
 ACoP (Private Halls)**

Reported:

(1) The audit independently assessed and sought to provide assurance on the University's compliance with the UUK ACoP for Management of Student Housing for properties leased form the private sector.

(2) The review had resulted in substantial assurance outcomes for effectiveness of design and effectiveness of implementation and economy and efficiency.

(h) Review of Duplicate Payments

Reported:

(1) The review used computer aided audit techniques to interrogate purchase ledger transactions to ascertain whether duplicate payments or errors had occurred.
(2) The review had resulted in substantial assurance outcomes for effectiveness of design and effectiveness of implementation and economy and efficiency.

(iii) HE sector Update

Received: the latest Uniac sector update covering Student Mental Health and Risk Profiling Universities.

Reported:

(1) Relevant updates were shared with appropriate colleagues
(2) The Mental Health update noted that deaths by suicide were significantly lower in the student population than in either the general population or the 10-29 year old category.
(3) A specific review of student mental health at Manchester was scheduled later in the academic year.

8. Risk and the Risk Management Framework

Received: University risk map and risk registers and underpinning faculty risk maps, which had been approved by Planning and Resources Committee before submission to the Committee.

Reported:

(1) The narrative summary in the overall Risk Register set out significant changes since the previous version seen by the Committee; adverse movements (i.e. risks which had increased in likelihood and/or impact) were related to potential changes to sector funding arrangements. In some other areas, risks had been removed or retitled and re-categorised (i.e likelihood had diminished)
(2) Where responsibility for mitigation of risk could be assigned to specific individuals, consideration of this would form part of annual performance review. In some cases, responsibility might be shared and in others (for example the risk of a no deal Brexit) it would not be reasonable for this to form part of performance review.
(3) The Risk Register informed Faculty and Professional Services Annual Performance Reviews and thus fed into Operational Priorities.
(4) The No Deal Brexit Risk Register continued to be updated as more information became available (including government technical notices). The University had made a major contribution to the overall sector response and the risk to supply chains was receiving close scrutiny. There was a danger that a "cliff-edge" Brexit would have an immediate impact on cash flow, despite government assurances about continuity of funding.
(5) In relation to Risk 15 (loss or reputational damage as a consequence of successful attack on IT infrastructure) there was a significant "unmanaged estate" not managed through IT Services and thus not subject to routine upgrade and maintenance. Tighter controls on IT purchasing would reduce this over time, but this was a threat which needed attention.

9. External Audit Management Letter-Action Plan

Received: an update on actions within the 2017-18 audit management letter

Reported: good progress was being made in ensuring timely removal of leavers from access to Finance systems and this would continue to be monitored.

10. **Public Interest Disclosure Report**

Received: a report from the Deputy Secretary on a referral to the Public Interest Disclosure (PID) procedure. A review had concluded that the matter referred to was not covered by the Procedure and was being addressed appropriately through another procedure. The complainant had exercised the right under the PID Procedure to refer the matter to the Chair of the Board and this was currently under consideration.

11. **Dates of further meetings in 2018-19**

Wednesday 1 May 2019 at 2.00pm and Monday 17 June 2019 at 2.00pm