

THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE

27 January 2020

Present: Mr Colin Gillespie (in the Chair)
Mrs Ann Barnes
Mr Robin Phillips
Ms Alice Webb

Apologies: Ms Erica Ingham
Mr Trevor Rees

In attendance: Dr John Stageman (Chair of Finance Committee-by video link)
President and Vice-Chancellor
Registrar, Secretary and Chief Operating Officer (RSCOO)
Chief Information Officer (for item 3i)
Deputy Director of Finance
Director of Compliance and Risk
Financial Controller
Mr Richard Tyler, EY LLP
Mr Richard Young, UNIAC

Secretary: Deputy Secretary

1. Declarations of interest

Noted: there were no new declarations of interest. Alice Webb was welcomed to her first meeting.

2. Minutes of the Meeting held on 13 November 2019

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

3. Matters arising

i) Cyber Security-Management of Privilege Access: Action Plan

Received: a response from the Chief Information Officer to the actions contained in the Uniac review of Cyber Security (Management of Privilege Access) considered at the previous meeting.

Reported:

(1) The response was grouped under the areas which Uniac had advised required further consideration, ie documentation and process governance, Active Directory-User Account Settings and High Privilege Accounts. The report noted where some clarification in definitions contained in the Uniac report would be helpful.

(2) Key issues for the institution were use of Active Directory and Microsoft Identity Manager.

Noted:

(1) In response to a question about the target date for the completion of the just-in-time (JIT) access solution for accounts requiring elevated privileges, the proposed target date of 2024 for full implementation (within the five year IT modernisation timeframe) was realistic; once

implemented, this would enable automated time limited access periods for privileged users depending on circumstance.

(2) A range of questions from members relating to the University response to hacking attempts and any internal unauthorised or suspicious behaviour. Ongoing improvements to the Network would provide comprehensive mitigation for this risk and in the meantime there were a range of interventions which were actively pursued and implemented to manage risk. This included penetration testing through “ethical hacking” to identify potential vulnerabilities and weaknesses and ensure action was taken to address these.

(3) In response to a further question, the intention was to complete the business analysis for Privilege Access Management by Q2 in 2020, although it was recognised that competing demands on a relatively small delivery team could impact on this.

(4) The Heat Map analysis of the ten key findings in the Uniac report enabled identification and prioritisation of the most significant risks.

(5) The importance of considering and confirming the University’s preferred risk tolerance and risk appetite in this area and tailoring activities accordingly. In this context it was also important for Information Governance Committee to consider and reflect on relative priorities.

(6) Members would benefit from an understanding of the role of Information Governance Committee and related bodies and asked that this be circulated. **Action: Deputy Secretary**

4. Update from the President and Vice-Chancellor

Received: a verbal update from the President and Vice-Chancellor on latest developments including:

- the latest position on Brexit, following the passage of the EU Withdrawal Agreement
- the latest position on the Universities Superannuation Scheme (USS) following the recent publication of the second Joint Expert Panel report and current negotiations between Universities UK, the Universities and Colleges Union and USS and the potential for further industrial action (in addition to pensions, this related to the annual pay round and UCU concerns about pay inequality, job insecurity and rising workload);
- the developing situation in relation to the Coronavirus outbreak in China and implications for staff and students;
- concerns raised by some staff about aspects of the design and proposed operation of the Manchester Engineering Campus Development (MECD). This would be aired at the forthcoming Senate meeting and the Chair of the Board had received a letter from staff; aspects of the letter had been referred to Uniac for independent review.
- ongoing financial scenario planning led by the Interim Director of Finance
- following the General Election, increased government focus on the North of England and research generally and the potential beneficial impact this might have on ID Manchester and graphene commercialisation. The Minister for Universities, Science, Research and Innovation, Chris Skidmore, had [visited](#) the University on 20 January 2020
- potential reduction in the immigration salary threshold
- recent and imminent appointments including John Holden as Associate Vice-President for Major Special Projects and Richard Jones who would join the University from the University of Sheffield in April and had written an influential article on the [Resurgence of the Regions](#).
- the Deputy President and Deputy Vice-Chancellor, Professor Luke Georghiou was on a phased return to work after illness.
- The University had been complemented by students and alumni on its response to the Sinaga case; the dedicated helpline had now closed but had been effective.

Noted: in response to a question relating to press reports about tension between students from mainland China and Hong Kong on other university campuses, whilst there had been small demonstrations by respective student groups on Chinese National Day in October, this had not been replicated and the political situation in Hong Kong appeared to have eased slightly in recent weeks.

5. Transparent Approach to Costing (TRAC) return

Received:

- (1) The University's TRAC and TRAC(T) results summary, covering the returns to be submitted to the Office for Students (OfS); this included notification of a minor change to the TRAC(T) submission as a result of late notification by the OfS of a change to non-funding costs.
- (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 2018-19 published Financial Statements.
- (3) The TRAC Oversight Group had recommended approval of the returns to Finance Sub-Committee on 21 January 2020 and Finance Sub-Committee had in turn recommended approval to Audit and Risk Committee.
- (4) The OfS now required formal Committee sign off of both returns before submission dates of 31 January 2020 (TRAC) and 28 February 2020 (TRAC(T)).



Redacted – Restricted Information

Noted:

- (1) In response to a question about the rationale for the driver changes to research costs as outlined in the report, confirmation that this was to ensure compliance with required TRAC reporting criteria.
- (2) In response to a question about laboratory and non-laboratory estates costs, laboratory space was allocated a higher cost weighting, reflecting degree of specification. Actions to

achieve the downward cost trend in laboratory costs as shown in the report could therefore not necessarily be replicated for non-laboratory costs.

(3) The TRAC results represented a welcome improvement, although there was scope for further improvements in delivering income and there was continued strong reliance on international students.

Resolved: that both the TRAC and TRAC(T) returns be approved for submission to the OfS, once the President and Vice-Chancellor has signed the return.

6. Satellite Entities Review

Received: a report updating the Committee on progress in identifying the satellite entities with which the University has a significant relationship.

Reported:

(1) The project continued to focus on naming a University accountable person, setting out the nature of the relationship with the relevant entity, articulating and assessing the risks arising from involvement with the relevant entity and, how these risks were mitigated. Details of each entity were available in supporting materials.

(2) Key to the risk assessment had been identification of the three lines of assurance which comprise functions that own and manage the risk; functions that oversee or who specialise in compliance or the management of risk; and functions that provide independent assurance i.e. external and internal audit.

Noted:

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Resolved:

(1) That progress for high and medium rated entities be provided on a six-monthly basis, with an annual overview report. **Action: Head of Tax and Financing**

(2) That future reports include reference to residual institutional risk and exposure in the event of failure of a satellite entity. **Action: Head of Tax and Financing**

7. Office for Students (OfS) matters

i) 2017-18 HESA reconciliation exercise

Received: at the request of OfS, a letter from the Head of Data Assurance at OfS on the outcomes of the 2017-18 reconciliation exercise. The covering report accompanying the letter noted that the Update on the Regulatory Environment report to the previous meeting had referenced this issue, highlighting the lack of tolerance and increased level of complexity and specificity required.

ii) Annual Review 2019

Received: a report summarising the key messages in the OfS Annual Review.

8. Internal Audit and Internal Control

(i) Uniac Progress Report

Received: the Internal Audit Progress Report.

Reported: that Uniac had finalised and completed the four audits outlined below since the last meeting of the Committee.

(a) Henry Royce institute-Governance Arrangements

Reported:

- (1) The purpose of the review was to consider the risk that the University may fail to deliver the full range of stakeholder expectations for the Henry Royce Institute (“the Royce”), a partnership of nine leading institutions with over £300 million invested in infrastructure and facilities (a national institute for Advanced Materials, the Royce’s vision is to stimulate research in advanced materials for the economic and societal benefit of the UK. The Engineering and Physical Sciences Research Council (‘EPSRC’) is the majority funder).
- (2) The review focused in particular on the governance arrangements in place to manage the financial and reputational risks to the University resulting from its role and responsibilities in relation to the Royce (including funding and governance arrangements).
- (3) The audit had resulted in reasonable assurance conclusions for effectiveness of design and effectiveness of implementation and for economy and efficiency.
- (4) Management concurred with the main findings as outlined in the report including a new collaboration agreement requiring mechanisms to resolve any difference of opinion between governing boards, clarifying authority levels for different governing boards and ensuring that a representative from the University had permanent membership of the Royce Governing Board.

(b) UUK Accommodation Code of Practice Compliance-University Halls

Reported:

- (1) The audit assessed and sought to provide assurance on the University’s compliance with the UUK Accommodation Code for the Management of Student Housing.
- (2) The report provided substantial assurance conclusions for effectiveness of design, effectiveness of implementation and economy and efficiency.

(c) UUK Accommodation Code of Practice Compliance-Private Halls

Reported:

- (1) The audit assessed and sought to provide assurance on compliance with the UUK Accommodation Code at the University’s privately owned halls.
- (2) The report provided substantial assurance conclusions for effectiveness of design, effectiveness of implementation and economy and efficiency.

Resolved: noting that the lack of a formal CCTV policy in Weston Hall was being addressed, the position regarding CCTV in other private halls be established. **Action: Uniac**

(d) Business Continuity and Disaster Recovery-Phase 1

Reported:

- (1) The audit had been requested by the University to address gaps in central Business Continuity and Disaster Recovery planning.
- (2) Whilst there was a robust approach to Emergency Management and there were local Business Continuity Plans (BCPs), there was no overarching University BCP.
- (3) In parallel to the Uniac review, a consultant had been appointed by the University to

review the approach to BCP.

(4) High level recommendations from the Uniac work included Uniac assessing progress within the next twelve months in the following areas: development of a central BCP Framework, BCP exercises to be carried out in key areas, provision of dedicated resource to manage the framework and provision of appropriate training and development.

(ii) Progress Update-2019-20 Annual Programme

Reported: progress against the 2019-20 internal audit programme.

Noted: work on the Board Assurance Framework was ongoing, with development of high level design and modelling of more detail and specificity in two specific areas (compliance with OfS Registration conditions and student mental health support).

(iii) HE sector Update

Received: the latest Uniac sector update covering cyber and digital disruption, challenges for current HE governance models and a benchmarking exercise on information and data governance in UK universities.

(iv) Summary of internal investigatory work

Received: a summary of internal work relating to suspected frauds and irregularities.

Noted:

(1) In response to a question about one of the cases cited in the report, the discrepancy had come to light following a change in facility manager and the timeliness of reporting of issues from the Income Office had now been addressed.

(2) Uniac had now completed the surprise cash count exercise.

9. Risk and Risk Management Framework

Received: the University risk map and risk registers and underpinning faculty risk maps.

Reported:

(1) Future iterations of the Risk Map and Risk Registers would reflect the new strategic plan and there was likely to be a reduction in the overall number of University level risks.

(2) The commentary provided details of adverse movement and other changes, and the detailed narrative addressed significant sector-wide and University risks.

Noted:

(1) The University had committed in its new strategic plan to meet the Manchester City Council commitment to achieve a zero carbon position by 2038. In the Risk Register, the risk of failure was shown as "almost certain" and this was a reflection of current technological limitations; there was potential for this position to evolve over time. This risk was closely aligned to risks relating to further development of the University estate and there would be further articulation of this risk in the next iteration of the Risk Register.

(2) The increased risk profile for the risk of loss or reputational damage as a consequence of a successful attack on the IT infrastructure. In response to a question, efforts to mitigate against the proliferation of insecure or unapproved devices (which contributed to this risk) continued, although the practical difficulties of issuing a blanket prohibition on any non-central IT expenditure was recognised.

(3) Some minor computational errors in calculating net risk which needed amendment.

(4) In response to a question, the potential to review and revise the net risk score for failure

to develop a more performance-oriented culture, to assess whether this should be higher.

Action: Director of Compliance and Risk

10. External Audit

i) Response to recommendations in external audit management letter

Received: an outline plan of action on the implementation of recommendations arising from the EY External Audit Management Letter for the year ended 31 July 2019.

Reported: appropriate mitigating actions were underway. Noting imminent system improvement, the behavioural aspect of ensuring compliance with protocols relating to recording HR leavers continued to be recognised.

Resolved: that in relation to HR leavers, Uniac review its previous work to assess any areas with higher than average non-compliance to enable management targeted intervention.

Action: Uniac

ii) External audit planning

Reported: that the external audit planning report will be presented to the next meeting of the Committee on 8 June 2020 for approval. An interim report will be circulated to the Committee for comment in mid-April 2020, with agreed response approved by Chair's action after circulation.

13. Public Interest Disclosure

Received: a brief verbal update on an outstanding Public Interest Disclosure matter.

14. Date of next meeting

Monday 8 June 2020 at 10.00am (to be followed by an Update and Development Session from 12 noon-3pm)