THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE   (by video conference)   **27 January 2021**
Unconfirmed

Present:	Mr Colin Gillespie (Chair)
	Mrs Ann Barnes
	Ms Erica Ingham
	Mr Robin Phillips
	Mr Trevor Rees
	Mrs Alice Webb
In attendance:	President and Vice-Chancellor
	Registrar, Secretary and Chief Operating Officer (RSCOO)
	Chief Financial Officer
	Head of Tax and Financing (item 10)
	Head of Financial Reporting and Research Finance (items 1-6)
	Director of Compliance and Risk
	Financial Controller
	Interim Director of IT (items 1-5)
	Mr Richard Young, Uniac
	Mr Ian Musgrave, Uniac
	Ms Fiona Waller, Uniac
Secretary:	Deputy Secretary

1.   Declarations of interest

   Noted: there were no new declarations of interest.

2.   Minutes

   Resolved: that the minutes of the meeting held on 9 November 2020 be approved.

3.   Matters arising

   Noted: matters arising were covered elsewhere on the agenda.

4.   Report from President and Vice-Chancellor

   Received: a verbal update from the President and Vice-Chancellor.

   Reported:

   (1) The government had advised students not to return to campus until further notice unless they were studying on a small number of exempt programmes (largely medical, clinical and health care related) or there were clear personal reasons for returning (e.g because of mental health or inability to study from home: this included researchers and research students who required access to specialist facilities for their work). 40% of students in University residences had returned, with a further 10% intending to return. There had been some further reports of misbehaviour amongst students who had returned to residences.

(2) At a national level, there was concern about the ability of students on some professionally accredited programmes to graduate. Dentistry was a particular concern given practice requirements and lack of placement opportunities. Also at a national level, there were growing calls for tuition fee rebates.

(3) For students living in University halls, two reductions in rent had been given to all residents. A 30% reduction to rent for the whole of the first semester (to 31st January; cost £~6m) had been made. This was to recognise that the experience and the facilities in some halls had not been at expected level (e.g. social spaces had not been allowed to open), and that government guidance on the Christmas 'travel window' meant many students had to leave their accommodation up to three weeks early.

(4) In addition, during the current lockdown students who do not use their room would not pay any rent for the duration of the lockdown or until their date of return (whichever was sooner): the estimated cost of this was in order of £15 million. Residents who had returned would pay the full rate from 1 February and in recognition of current uncertainty and financial challenge, the date of the next instalment of rent (due on 21 January), would be pushed back to late February. As had been the case since October, any student was able to break their license agreement at any point and only incur charge up to the date they return their key (very few students had opted to do this so far).

(5) The Board had recently been advised of the University's five point Assessment Pledge to students which was also referred in the report on return to campus.

(6) The Department for Education (DfE) had confirmed that university staff required to deliver or to support delivery of teaching or research and the provision of appropriate university facilities were considered critical workers for the purposes of their children accessing education. However, many schools were unable to take additional students, largely due to staff absences.

(7) The local UCU branch had proposed a vote of no confidence in senior management and leadership and was encouraging members to raise the matter at School Boards. Members of the Students' Union had also gained the required number of signatures to trigger a referendum proposing support for a vote of no confidence in University senior leaders.

(8) The Committee had been kept informed about progress towards finalisation of the Financial Statements and a joint meeting with Finance Committee was scheduled for 29 January, before a meeting of the Board on the same day.

(9) The University continued to be heavily involved in discussions and developments relating to the "levelling-up" agenda. In a related development, the National Physical Laboratory had signed a Memorandum of Understanding to support regional development.

Noted: in relation to addressing instances of student misbehaviour in Halls of Residence at Fallowfield, the approach would continue to be in partnership with Greater Manchester Police and dialogue continued to ensure that the partnership operated in the most effective way. Available resource would be increased in the next week in anticipation of potential activity at the end of the current examination/assessment period. As previously advised, Fallowfield continued to be a focus for gatherings and parties, attracting non-University residents.

5.   **Internal Audit and Internal Control**

   (i) Uniac Progress Report

   Received: the latest Uniac internal audit progress report. The report on IT Services: Suppliers and Consultants was provided in full.

(a) IT Services: Suppliers and Consultants

Reported:

(1) The audit was undertaken to provide an independent assessment of the management of risks in relation to the engagement of IT Services suppliers, including adherence to the processes and controls surrounding procurement and onboarding and systems in place to manage the contracts from an effectiveness and efficiency point of view.

(2) The report was mainly concerned with the major strategic suppliers because of the size, nature and difficulties experienced and the major commitments these represent. The report also covered processes relating to a number of other suppliers, consultants and, in some cases, individual contractors, and these suppliers generally had a more straightforward relationship with the University, providing less complex services.

(3) The report had identified significant opportunities for development in relation to effectiveness of design, and that implementation and economy and efficiency were both ineffective.

(4) In the course of the review, Uniac met with over 40 staff both within IT Services (at all levels of staff) and across relevant parts of the University, and with teams from major suppliers, and scrutinised all relevant documents.

Redacted – restricted information

(6) Specifically, the report focused on the following areas for improvement, with agreed management actions and implementation dates as set out in the report: Procurement and Contract Negotiation: Organisational Change: Management of IT Services: Roles and Responsibilities: Working with Suppliers: Supplier Performance: Governance, Programme and Project Management: Financial Controls and Management: Benefits Realisation and Staff Development: and Contracts Variation and Change Management.
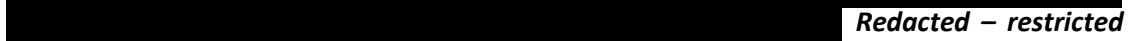
Noted (in response to questions)**:**

(1) ██
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information There had been a recent change of leadership and the Interim Director of IT Services was embarking on a change process. Fundamental to this was more effective staff engagement and the hybrid model needed to re-balanced to ensure it operated more effectively.

(2) The need for additional resource and the extent to which agreed actions could be accomplished within existing budgets was being assessed (noting the potential for additional internal cost to be offset by a reduction in external cost). Meetings with principal contractors were taking place to ensure compliance with existing contracts.

(3) The Committee would want to revisit the action plan arising from the report on a regular basis to receive assurance on the efficacy of measures to effect improvement, including in relation to staff morale and organisational development.   **Action: Deputy Secretary**

(4) The report did not include specific consideration of individually-hired contractors as part of the audit and Uniac would reflect on whether there were any areas of potentially high-risk in this category.

(5) The process for IT project governance change was now chaired independently by the Chief Financial Officer, rather than the Director of IT Services, and the IT Project Management Office had now been transferred to the Strategic Change Office in Planning.

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information The Interim Director would remain in post for the next twelve months before the University went back out to the market, enabling him to build on the development and delivery of change already initiated.

(b) Adherence to amended Financial Procedures (including Frequent Traveller Credit Cards and Purchasing Cards)

Reported:
(1) The purpose of the audit was to provide independent assurance that the interim adjustments to the Financial Procedures (effective since July 2020) were being adhered to and that key controls were working effectively following the required changes to processes through remote working. The review also considered the extent of usage of both Purchasing Cards and Frequent Traveller Credit Cards (FTCCs) together with their related processes and controls, including monitoring allowable spend, spend limits and approval processes.
(2) The report had provided reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.
(3) The report identified certain areas where controls could be improved to further enhance the processes including evidence of pre-approval documentation and efficiencies to purchasing card processes.

(c) Transparent Approach to Costing (TRAC) return

Reported:

(1) The review aimed to provide independent assurance that the University had effective and efficient processes for compiling the TRAC returns. The review assessed the accuracy of submissions (submitted in January 2020) and the University's compliance TRAC guidance.

(2) The review concluded that the University had clear and complete process notes to support the compilation of the TRAC and TRAC(T) returns and the report provided significant assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.

(d) Health Research Authority (HRA) compliance

Reported:
(1) The purpose of the audit was to provide independent assurance that the University had effective, efficient, and proportionate processes for sponsoring HRA studies and meeting HRA requirements.

(2) The report had provided reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.

(e) Student Mental Health Framework

Reported:
(1) In 2019-20, Uniac completed a review on student mental health, and in particular how students nearing crisis were identified and supported. Following discussions with the Director for the Student Experience, Uniac followed this up with a more general assessment of support and the identification of students across the institution, with a focus on students who may experience on-going mental health conditions (which were currently manageable) or who may start to experience mental health issues during their course of study.

(2) The review, which was not graded, suggested that the University continued to strengthen its governance approach to wellbeing, with the remodelling of the Safety, Health and Environment Committee providing a good starting point and explored an integrated reporting system across the whole of campus life.

(ii) Progress Report on Internal Audit Programme and schedule of audits for the second half of academic year 2020-21

Received: a progress report against the internal audit plan agreed for the first half of 2020-21 and a suggested programme for the second half of the year.

Agreed: Following comment from members, the plan for the second half of the year as presented to the Committee be amended as below:
a) Addition of a review comprising work with senior University staff to provide assurance regarding OfS regulatory compliance.
b) In relation to the Finance System review, exploring with the Chief Financial Officer, scope for a review of forecasting, budgeting and/or management accounts information.
c) In relation to the IR35 compliance review, including review of use of individual contracts in IT Services (as noted above).
d) Given other priorities, that the review of minor works value for money now takes place in 2021-22 (and to confirm that the planned review of carbon reductions takes place in 2021-22 as set out in the plan).
e) That other minor adjustments be agreed after liaison between the RSCOO and Uniac.

(iii) Summary of internal investigatory work

Received:

(1) Details of an attempted fraud whereby supplier details were amended fraudulently to facilitate transfer of funds to a fraudulent account.

(2) The attempt had been relatively sophisticated and had been detected by the University's bankers; all monies were recovered. The University had confirmed that no similar fraudulent activities were attempted in the previous three months.

(3) Amendments to procedures had taken place to ensure independent verification of change of supplier contact details. Given the scale of the attempted fraud (£2.4 million), the OfS had been advised and they were content with remedial actions taken.

6.   2019-20 Transparent Approach to Costing (TRAC) return

Reported:

(1) The TRAC return was a process of taking institutional results from consolidated Financial Statements, adding a margin for sustainability and investment to the cost base and then allaocating income and costs to specific activities of Teaching, Research and Other.

(2) Teaching was analysed between publicly and non-publicly funded activity, Research was analysed between sponsor types (such as Reserarch Councils), other government departments and UK charities and Other referred to other primary income-generating activities, residences and conferences.

(3) The University's governance process for the approval of the TRAC return had been followed. Firstly, the results were reviewed internally within the Directorate of Finance before being presented to the TRAC Oversight Group which recommended it for approval by the Finance & Capital Planning Sub Committee (FCPSC), which had in turn recommended it for approval by Audit and Risk Committee.

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(6) The potential impact of recent changes to the Annual Financial Return agreed by Finance Committee would be assessed: this would not change the substance of the return but may impact on Margin for Sustainability and Investment calculations, with potential impact on the bottom line. Requirements for any subsequent governance sign-off would be clarified with the TRAC helpdesk.   **Action: Head of Financial Reporting and Research Finance.**

Agreed: (subject to clarification of the issue raised in (6) above)

(1) To submit the TRAC return and support rates for research to OfS
(2) To confirm that the University had complied with the TRAC statement of requirements for preparing the return.
(3) That the President and Vice-Chancellor's electronic signature be added to the TRAC sign-off sheet for submission to the OfS.

(Secretary's note: The TRAC Helpdesk subsequently confirmed that approval for the above could be provided via Chair's action and would not require the Committee to be reconvened.)

7.   **Updated Risk Register**

Received: the latest version of the revised University Strategic Risk Register.

Reported:
(1) The Strategic Risk Register underwent a major refresh through 2020, both in terms of format and content and this was reported to the Board of Governors and Audit and Risk Committee towards the end of last year. The update was timely given challenges posed by the pandemic and it enabled the capture of new strategic issues, risks and mitigations.
(2) The most recent iteration of the Risk Register seen by Audit and Risk Committee (v1.15, seen by the November Committee meeting) integrated the previously separate Brexit Risk Register. Work was underway, with risk owners, to revise the current version of the Register to reflect the post-Brexit reality and this was informed by interaction and input from Deloittes, informing assessment of implications and risks.
(3) The version of the Register before the Committee (v1.17) was similar to the version seen previously at the November meeting. The intention now was to revert to the more standard reporting pattern to Audit and Risk Committee and the Board (i.e July and February presentation to the Board of Governors, with prior consideration by June and January Audit and Risk Committee meetings respectively). This would not preclude other and/or urgent matters relating to risk being raised where required at either Audit and Risk Committee and/or the Board of Governors.

Noted (in response to questions)**:**

(1) The potential for the design of the Register to allow space for commentary on specific issues (e.g. "near misses") where appropriate.
                    Action: Director of Compliance and Risk Management
(2) The re-presentation of the Register at institutional level had not yet been replicated at Faculty or more local level and there was a balance to be struck between divergence and flexibility to reflect local circumstance on one hand and sufficiently commonality to enable a consistent, coherent approach on the other hand. As part of the Annual Performance Review exercise, each area produced a local SWOT analysis, which drew attention to specific risks and potential vulnerabilities.
(3) Institutional leaders from across the institution would recognise the strategic risks outlined in the Register, although it was likely that recognition would not be as acute amongst less senior staff.

(4) Risk 6 (Risks around Sustainable Business/Operating Model) was particularly volatile in the current environment and there was a need for regular review of risk velocity and potential disruption. **Action: Director of Compliance and Risk Management**
(5) The importance of recognising inter-dependence of risk and potential trade-off between risks.
(6) It would be helpful for future versions to track (or at least summarise) major changes from earlier iterations **Action: Director of Compliance and Risk Management**
(7) The importance of tracking implementation of measures to mitigate risk and consequential impact.
(8) Given the proposed pattern of reporting to the Committee and the Board, the need to consider the benefit of reporting at other times (e.g for the Register to be available at the next and future Board strategic conferences).

Action: Director of Compliance and Risk Management
(9) Following successful pilot work by Uniac on the development of a Board Assurance Framework (using compliance with OfS Registration Conditions as an example), further work was continuing in relation to cyber and information security (the potential to involve the Committee's advisor, Alex Creswell, in this work was noted).

8.   **Response to External Audit Management Letter**

Received: a report noting that the 2019-20 EY draft report to the Committee (to be confirmed at the joint meeting of Audit and Risk Committee and Finance Committee on 29 January 2021 and initially considered at the joint meeting held on 9 November 2020) had noted one management letter point which required action (staff departure dates not updated in the HR system, meaning that Oracle accounts were not revoked on a timely basis).

Reported:

(1) The issue identified had been raised in successive management letters.
(2) Recent testing demonstrated that approximately 12% of staff had leave dates entered onto the system retrospectively, although in no cases had staff attempted to log onto the system after they had left
(3) An ongoing Uniac review included coverage of this issue and would report to the next meeting of the Committee.

Noted:
(1) The lack of timely action to remove staff leavers had been a persistent issue and action to address this was now overdue. Access to Oracle and other systems after staff had left represented a major business and reputational risk.
(2) The Director of HR would attend the next meeting of the Committee when the related Uniac review was considered. However, the Committee emphasised that resolution of this issue not solely the responsibility of HR: it needed to be owned by leaders across the institution, requiring behavioural and cultural change.

Agreed: that the Director of HR attend the next meeting, when the related Uniac review was considered, and provide an update on progress. **Action: Director of HR and Deputy Secretary**

9.   **Office for Students Annual Review**

Received: the Office for Students Annual Review

10.   **External Audit Tender Process**

Received: a report advising that no bids had been received to the formal tender for the external audit and in view of this outcome, the University was now proceeding along the "Negotiated Procedure" route.

Agreed: to adopt the revised external audit tender process using the Negotiated Procedure and timeline as outlined in this report (which included a further meeting of the Committee to confirm the appointment at the end of February 2021).
Secretary's note, a meeting of the Committee was subsequently confirmed for Friday 26 February at 4pm, preceded by a clarification meeting with bidders on Thursday 25 February, 1.30-3.30pm.

Action: Deputy Secretary/Head of Tax and Financing

11.   **Dates of remaining meetings in 2020-21**

Noted: the next scheduled meeting was on Wednesday 9 June 2021 at 2:00 pm   (noting that a further meeting would be needed to confirm the appointment of the external auditor).