

THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE (by video conference)

8 November 2021

Present: Mrs Ann Barnes (in the Chair, except for item 4)
Mr Robin Phillips
Mrs Alice Webb
Mr Alex Creswell (advisor to the Committee)
Ms Caroline Johnstone (Chair of Finance Committee, invited to be in attendance: Chair for item 4)

Apologies: Ms Erica Ingham
Mr Trevor Rees

In attendance: Professor Dame Nancy Rothwell, President and Vice-Chancellor
Mr Patrick Hackett, Registrar, Secretary and Chief Operating Officer (RSCOO)
Mr John Cunningham, Interim Chief Financial Officer
Ms Louise Bissell, Deputy Director of Finance
Dr David Barker, Director of Compliance and Risk
Mr Tony Brown, Head of Information Governance
Mr Richard Young, Uniac
Ms Sue Suchoparek, Uniac
Mr Alastair Duke, PKF Littlejohn
Mr David Thompson, PKF Littlejohn

Secretary: Deputy Secretary

NB The meeting was preceded by a private meeting between members of the Committee and internal and external auditors only, without officers (except the Deputy Secretary) in which the auditors confirmed their satisfaction with the cooperation received from management and the open and transparent relationship with the University.

1. Declarations of interest

Noted: there were no new declarations of interest.

2. Minutes

Resolved: that the minutes of the meeting held on 15 September be approved.

3. Matters arising and action tracker

Received: the action tracker setting out progress against matters arising from earlier meetings. A further progress report on the issue of staff overpayments was appended to the action tracker.

Noted:

(1) The report indicated that there was still a significant level of over-payment (and the September figure was higher than that for July and August).

(2) Overpayment would not be completely eradicated without a change in system which was planned. The current process was vulnerable to individual points of failure.

Agreed: that the Committee continue to receive monthly reports and that these be produced to enable analysis by School and Department (and this analysis be backdated to March 2021).

Action: RSCOO and Director of People and OD

4. Financial Statements and External Audit

NB: The consideration and approval of the report of the External Auditors and the financial statements was conducted in a joint session with members of the Finance Committee. The Chair of the Finance Committee chaired consideration of this item.

Received:

- (1) Summary of key points from the Financial Statements
- (2) Draft Financial Statements for the year ended 31 July 2021.
- (3) Going Concern report
- (4) Subsidiaries report for the year ended 31 July 2021
- (5) Report to the Audit and Risk Committee and Board of Governors from PKF Littlejohn LLP for the year ended 31 July 2021 (the letter of representation was appended to the report).

Reported:

(1) In relation to the draft Financial Statements, members were reminded that as the University has bonds admitted to the Official List of the UK Financial Conduct Authority and traded on the Regulated Market of the London Stock Exchange, it was required to comply with various rules, regulations and standards. This imposed specific responsibilities upon the University and its employees, particularly with regard to the handling of information, which could potentially affect the trading price of the bond. This information must be kept confidential and not disclosed to anyone without the prior authorisation of the Chief Financial Officer.

(2) Finance Committee had considered items (1) to (4) above at its meeting earlier in the day and had considered and questioned assumptions and scenarios: detail of this is included in the minutes from that meeting.

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

[Redacted] *Redacted – restricted information*

(7) The external audit report from PKF Littlejohn LLP covered key audit risks and findings: these included assessment of key audit risks (e.g. management override, risk of fraud in revenue recognition, valuation of defined pension scheme liabilities, valuation of defined benefit pension scheme assets for the Greater Manchester Pension Fund, Going Concern, related party transactions, valuation and impairment of property, plant and equipment and valuation of bad debt provision).

[Redacted]

[Redacted]

[Redacted] *Redacted – restricted information*

(11) The report included the additional report required given the University's Public Interest Entity status and the draft of the independent auditor's report that would be inserted into the Financial Statements to be presented to the Board.

[Redacted]

[Redacted]
Redacted – restricted information

Agreed: having heard from Finance Committee, to recommend approval of the Financial Statements and related documentation to the Board of Governors (noting pending amendments to the Financial Statements as referred to above).

5. Appointment of new Audit and Risk Committee Chair

Reported: that following a recruitment and shortlisting process, interviews for a new lay member to become Chair of the Committee were scheduled to take place on 18 November, with a view to enabling the Board to ratify the appointment at its meeting on 24 November.

6. Update from President and Vice-Chancellor and RSCOO

Reported: the President and Vice-Chancellor and RSCOO provided the Committee with the latest position on the following:

- [UCU ballot](#)
- Student recruitment
- local and regional Covid infection rates
- staff wellbeing and wellbeing
- the [Comprehensive Spending Review](#) and related matters, including recent ministerial appointments
- Governance Effectiveness Review implementation and the impending additional meeting of Senate.

7. Internal Audit and Internal Control

(i) Uniac Progress Report

Received: the latest Uniac internal audit progress report, which contained a summary of audits finalised since the previous meeting of the Committee, an update on assurance mapping (see item 7 ii) below), progress to date against the agreed action plan and some HE sector updates.

(a) Oracle Finance Upgrade Project

Reported:

(1) The major review of the Oracle Financial System had highlighted the need to clarify the scope of business requirements and to update and maintain the project plan: issues around benefits management had also been raised.

(2) The review concluded that there were significant opportunities for enhancement in effectiveness of design, effectiveness of implementation and economy and efficiency.

(3) Since completion of the review and following the resignation of the sponsor (the Chief Financial Officer), a workshop had been held to review parameters of the project and review previous design decisions. The workshop had concluded that the timescales in which to deliver Phase 1 of the project by August 2022 were too aggressive and a number of design decisions would now be revisited. The outcome of the workshop was to reset the programme over the next eight-week period, with more realistic timeframes for delivery and to enable understanding of any implications for additional costs and benefits. The project will be subject to a gateway review (through the Strategic Change Office) of the business case in mid-December.

Noted:

(1) Concerns expressed by members about the management of the project to date and the current position and the request for assurance that appropriate action would now be taken, including a lessons learned exercise.

(2) The process of gateway review had proved to be robust as it had not permitted the project to progress without further remedial action: the opportunity was being taken to seek independent, external evaluation of work undertaken to date, although it was anticipated that much of this would be of benefit as the project progressed.

(3) Although this was the first time that the project had been considered in detail by the Committee, the Board had been kept apprised of its development through Finance Committee.

(4) The gateway review referred to above would be conducted in mid-December and consideration by the Strategic Change Sub-Committee at a meeting in early January would determine what goes forward to the Finance Committee meeting on 19 January, in relation to the business case.

(5) Uniac had time allocated in its forward plan to enable further review.

Agreed:

(1) A further report on “lessons learned” be considered by the next meeting of the Committee in January, enabling both further Uniac input and independent, external assurance.

(2) Following the report to the Committee in January, further work would take place as required to provide continued assurance to the Committee that the project was on track with robust management and governance.

Action: RSCOO, CFO, Uniac

(b) School Review: Natural Sciences

Reported:

(1) The purpose of this review was to provide independent assurance that the financial and administrative processes, controls and systems within the School of Natural Sciences were robust and adhere to the University’s Financial Regulations and Procedures (Uniac undertakes two school reviews every year, ensuring each school is visited at least once every five years: further detail about the frequency and timing of School audits was provided in the Reading Room)

(2) The report noted some opportunities to improve management controls and provided reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.

(c) Information Governance: Risk Review

Reported:

(1) The review assessed the scope of activities considered as part of the Information Governance Risk Review (IGRR) process, the level of awareness and engagement with the

process and the effectiveness of the risk review and exceptions process, including risk and action tracking and governance oversight.

(2) The IGRR process had developed and evolved over the last two years. The IGO had been proactive in raising awareness and embedding key trigger points across standard University processes to prompt users to engage with the IGRR process, so that new and changing activities can be assessed against University information governance requirements.

(3) The review concluded that there were significant opportunities for improvement of the effectiveness of design and effectiveness of implementation, and provided reasonable assurance in relation to efficiency and effectiveness. The IGO had put good foundations in place and the report included findings to support continuous improvement (e.g. in relation to risk scoring, oversight and reporting, engagement and proactive risk management). Areas of good practice were also highlighted and overall, the report concluded that to improve its effectiveness the process needed to be more risk-focused; with high-risk assessments being completed in full, more timely and better oversight arrangements to track high risk activities and help with any engagement escalations.

Noted:

(1) Information Governance Committee (which reported to Planning and Resources Committee) provided a forum for consideration of the approach to the IGRR and awareness and understanding of the risk was maturing.

(2) The advisor to the Committee offered comment on matters of detail which would be progressed outside the meeting.

(ii) Assurance Mapping

Reported:

(1) Further to discussion at the previous meeting, Uniac had carried out further work in conjunction with University management to develop assurance maps for risks on the Risk Register.

(2) Assurance maps for Risks 1.1 (Cyber Security) and 1.2 (Information Security and Data Protection) had been developed as exemplars: further work on this was in process and it was recognised that some risks, by their nature may lend themselves less readily to the detailed analysis contained in the exemplars.

(3) The structure of the Assurance Maps developed to date enabled detailed review and scrutiny of risks at an operational level as well as a higher level governance overview (although as noted above the approach may not be fully transferable to all risks).

(4) There would be a further update report to the next meeting of the Committee.

Action: Uniac

(iii) Uniac Annual Report

Received: the Uniac annual report, which incorporated minor amendments from the version considered at the previous meeting.

[REDACTED]

[REDACTED]

Noted: potential enhancements to future reports, including articulation of specific risks (e.g supply chain), greater strategic analysis of procurement, including examples of positive impact of and value added from procurement activity.

10. Dates of meetings in 2021-22

Noted: dates of future meetings, with the next meeting scheduled for 26 January 2022.