AUDIT AND RISK COMMITTEE (by video conference)   **26 January 2022**

Present:	Deirdre Evans (Chair)
	Ann Barnes
	Robin Phillips
	Trevor Rees
	Alice Webb
	Alex Creswell (advisor to the Committee)
	Caroline Johnstone (Chair of Finance Committee, invited to be in Attendance)
Apologies:	Ms Erica Ingham
In attendance:	Patrick Hackett, Registrar, Secretary and Chief Operating Officer (RSCOO)
	John Cunningham, Interim Chief Financial Officer
	Louise Bissell, Deputy Director of Finance
	Dr David Barker, Director of Compliance and Risk
	Richard Young, Uniac
	Sue Suchoparek, Uniac
	Alastair Duke, PKF Littlejohn
Secretary:	Deputy Secretary

1.   Chair of Committee

 Noted: an introduction from Deirdre Evans, the new Chair of the Committee, who was welcomed to her first meeting.

2.   Declarations of interest

 Noted: there were no new declarations of interest.

3.   Minutes

 Resolved: that the minutes of the meeting held on 8 November 2021 be approved.

4.   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.

 Reported:

 (1) The report indicated progress in reducing the level of overpayments in the past few months.

 (2) The report proposed setting a trigger point key performance indicator (KPI) of 0.1% of both overpayment per total staff paid and rate of total overpayments against the monthly pay bill: exceeding the trigger point on either of these grounds would require a report to the next Audit and Risk Committee meeting.

Noted:

(1) Whilst there was recognition that it was impossible to completely eradicate overpayments, concern that the proposed KPI was not sufficiently ambitious.

(2) An ongoing further review by Uniac would enable further analysis of the root cause of the issue, noting planned further automation of processes, and that some instances were a result of failure to follow current process. There had been increased focus on control and reconciliation and learning from instances of overpayment as and when they occur.

Agreed:

(1) There should be further reflection on the level of the trigger point that results in a report to the Committee and that in the meantime progress reports to the Committee should continue**.**

(2) To reflect further on the root cause of the problem, once the further analysis by Uniac was complete.

Action: Uniac, RSCOO and Director of People and OD

5. **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, progress to date against the agreed action plan and some HE sector updates.

(a) Graphene Engineering Innovation Centre (GEIC)

Reported:

(1) Uniac's programme includes coverage of satellite entities (at least one per academic year). GEIC was selected as a relatively new centre with significant funding from a variety of stake-holders with new and different risks and opportunities for the University.

Redacted – restricted information

(3) The review provided reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency. There was one high risk finding, namely the lack of an explicit risk register: whilst key risks were discussed and understood within the GEIC management team, there was no formal documentation of these risks, the respective risk owners and the related mitigating controls. Management had agreed to take remedial action by 31 January 2022 and had already consulted the Director of Compliance and Risk on format, to ensure consistency with the University approach, and it

was important for the Committee to receive assurance that satellite entity risks were appropriately covered.

(b) Pure Awards Management Module

Reported:

(1) The purpose of the audit was to assess how effectively planned benefits from a new Awards Management Module in Pure, the University's research information system, were being realised.

(2) The report provided substantial assurance in relation to effectiveness of design, highlighted significant opportunities for improvement in relation to effectiveness of implementation, and provided reasonable assurance in relation to economy and efficiency. Issues raised would be addressed in refresher training, with some attributable to lack of staff capacity. Resource requirements were being assessed as part of ongoing work on the Research Lifecycle Project to ensure that there was sufficient resource (in the context of planned system improvements) to meet the University's ambitions in this area.

(c) Follow-up of costing Research Technician Time

Reported:

(1) In 2019-20, Uniac had completed a review of Costing of Research Technician Time Testing which highlighted significant levels of non-compliance with the University's Costing and Pricing Policy and supporting processes. This follow-up review sought to gauge through repeat testing whether management actions and other internal initiatives / projects have successfully increased compliance.

(2) The review provided reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency. A significant proportion of applications that did not include technician support confirmed that no support was required..

Noted:

(1) Questions about whether the reasonable assurance grading was appropriate, given the relatively low proportion of applications which included direct technician support.

(2) A significant proportion of applications that did not include technician support confirmed that no support was required. The report referred to expectations around costing of unrecoverable technician time, with further training to be incorporated. Given management action to address issues raised and improve transparency of costing (which was linked to the ongoing Research Lifecycle Project), Uniac was satisfied that the rating was appropriate, and a further review of research costing was built into the internal audit programme for 2022-23 (Quarter 1).

(d) Finance Transformation Programme Follow-Up

Reported:

(1) Further to discussion at the previous meeting, the recent Uniac review concluded that the University had made significant progress in addressing the issues that arose in the Finance

Transformation Programme, and these issues were not indicative of systemic deficiencies in the University's governance and approach to strategic change.

(2) The effectiveness of the Strategic Change Office (SCO) processes and controls, including the gateway reviews, had been key in highlighting and escalating in a timely manner risks and issues that the programme had to resolve before it could proceed further. Given earlier challenges, in October 2021 there was a change in the executive sponsor, and the opportunity was taken to refresh and revalidate the scope and governance structure of the Finance Transformation Programme. As a result, the Programme was now in full compliance with the SCO standard methodology and governance, which provided assurance that the programme was in a much better place. Further detail to evidence this was set out in the report and Finance Committee had approved the business case for the Programme at its meeting on 19 January 2022.

Noted:

(1) The report referred to a lessons learned exercise and this was important in ensuring that future programmes did not encounter similar issues (noting that the SCO processes had enabled timely intervention and that much of the work undertaken in the early stages of the work had been valuable and transferable).

(2) The lack of wider stakeholder engagement by the initial sponsor had now been rectified: the review also highlighted the need for better planning and anticipation of systems approaching end of support to ensure that all stakeholder interests could be factored in. To address this, management had agreed to set out and document a longer-term IT systems strategy in relation to future corporate system end of support dates.

(3) Committee interest in the overall position in relation to the strategic change programme and Professional Services reorganisation. In this context, the Committee noted that Planning and Resources Committee and Finance Committee received a strategic change programme performance and risk dashboard (including the Finance Transformation Programme) and expressed interest in seeing this and receiving further assurance on the robustness of related processes. Further follow-up work in this area was planned by Uniac and the Chair agreed to liaise with the RSCOO and Chair of Finance Committee to consider the optimal way forward, ensuring clarity of committee remits and avoiding duplication.

Action: Deputy Secretary, RSCOO

(e) Assurance Mapping

Reported:

(1) Further to discussion at previous meetings, the report outlined progress in relation to assurance mapping.

(2) Noting the categorisation of cyber risk as noted in item 8 below, a Uniac audit of cyber was planned for early 2022 and the revised risk and assurance map will inform the audit, and this would help to determine whether further work needed to be accelerated.

(2) In relation to Risk 4 (Failure to provide a quality teaching, learning and student experience etc) work referred to would be used to support Board assurance on academic governance, including the development of an academic assurance protocol and related Code of Practice, which were important recommendations arising from the Halpin review of governance effectiveness.

(f) Progress against the 2021-22 plan

Received: a progress report on delivery of the 2021-22 internal audit programme.

Agreed: deferral of some reviews and substitution of replacement topics (specifically payroll, expenses and a data return) within the overall agreed resource envelope for the Programme.

(g) Sector updates

Noted: the update included a section on managing IR35 requirements: the most recent Uniac audit in this area had been completed in 2020-21 and had demonstrated good levels of compliance.

(ii) Update on UKRI Funding Assurance Programme audit

Reported: Further to the previous meeting, confirmation that the final report of the UKRI Funding Assurance Programme audit had been received (and was available in the Reading Room). The report contained a limited assurance rating and, amongst other matters, the University was required to develop (by 21 February 2022) a comprehensive action plan to complement the management responses in the recommendations noted in the UKRI assurance report. This was the same level of assurance that the University received in an earlier audit , which was not ideal.

Noted:

(1) Provided UKRI was assured on satisfactory progress in implementing the action plan, there was unlikely to be any funding impact. Experience from the previous limited assurance rating, suggested that this was likely to remain in force for approximately 12 months.

(2) Uniac had committed resource to support the process (this was within the agreed overall resource allocation and was facilitated by changes to the programme as outlined above).

(3) The report highlighted the importance of systemic and regular review to ensure the currency of key policies.

(4) The Committee would continue to receive progress reports on implementation.

Action: Deputy Director of Finance

(5) The Committee requested assurance on the process for keeping policies up to date with agreed owner.   **Action: Deputy Secretary**

(iii) Report on internal investigatory work

Noted: the latest report on internal investigatory work

6.   **Revised Fraud Response Plan**

Received: an updated Fraud Response Plan revised to address some operational issues that had arisen from investigation of recent fraud cases.

Reported: planned activities to re-communicate the revised Plan included: presentation of the Plan at faculty leadership meetings: presentation of the plan at future annual compliance events organised through the Director of Compliance and Risk and delivery of fraud awareness training as part of Uniac's planned programme of work.

Noted:

(1) In the next review of the Plan, there would be benefit in learning from good practice across sectors.

(2) The revised Plan was, understandably, very finance focused, but there would be merit in the next review ensuring that fraudulent use of time was sufficiently addressed.

(3) Frauds were reported to the Committee through the internal investigatory report and significant frauds were reported to the Office for Students.

Agreed: to approve the updated Fraud Response Plan.

7. **Transparent Approach to Costing (TRAC) return**

   Received: details of the 2020-21 TRAC return.

   Agreed:

   (1) That the TRAC return and research support rates for research be submitted to the Office for Students.

   (2) That the Executive Summary was suitable for communicating the outcome of TRAC and the research support rates to the University community.

   (3) To confirm that the TRAC guidance has been complied with.

8. **Updated Strategic Risk Register**

   Received: the latest iteration of the Strategic Risk Register, which included changes requested by the Committee and the Board (e.g addition of commentary on "risk context" and each risk now having a description of a "desired end state", i.e. what the risk would look like if the target score was achieved).

   Reported: the report set out changes in risk description and likelihood (and this included reference to increased likelihood of cyber and related risk)

   Noted:

   (1) In one section of the cyber risk summary, the overall risk score was misstated and this would be corrected.

   (2) Whilst the cyber risk was increasing, this was principally a reflection of the volatile international environment: the University's plan was evolving to meet the threat and the University was encouraged to build on and develop its relationship with the National Cyber Security Centre, given its important role as part of the national cyber infrastructure, with valuable intellectual property. Measures to improve resilience and reduce the threat of external penetration were in train (for example the extension of two-factor authentication to students with effect from early March): individual user behaviour (for example vulnerability to phishing attempts) was a variable, even with enhanced and comprehensive awareness raising and guidance.

   (3) Regular cyber emergency exercises were held (every two months) and were helping to further improve resilience, and, more generally, the Director of Compliance and Risk had just appointed to a senior risk management resilience position. This was an area where continued, active vigilance was required: the impact and effectiveness of measures outlined was recognised in the University's improved Bitsight score (external measure of cyber risk and resilience)

   (4) The importance of continued reflection on the register to ensure that it was capturing all current strategic risks and that there was sufficient engagement with both the Committee and the Board to test and challenge this.

(5) As currently articulated, Risk 7 (Failure of Operating Model) was potentially too externally focused and future iterations could capture, for example, risk of capability and/or capacity to deliver planned benefits from transformation programmes.

(6) In relation to Risk 3 (related to employee relations) presentation of this was under review, given the relatively recent appointment of the Director of People and Organisational Development and the Director of Equality, Diversity and Inclusion.

(7) Whilst there was regular reporting on the latest position on cyber risk from the Committee to the Board, there would be value in an update specifically for the Board.

(8) On a matter of detail on Sub-Risk 1.4 (Zero Carbon Targets by 2038), Artemis Technologies had been appointed to prepare a zero carbon masterplan.

Agreed: to approve the latest version of the Risk Register, subject to commentary as outlined above being reviewed in preparation for the next iteration and the updating of key mitigations to include a completion date and owner.

Action: Director of Compliance and Risk

9.   **External Audit: lessons learned from 2020-21 audit**

Received: a joint report, prepared with PKF Littlejohn (PKF) summarising lessons learned from the external audit of the Financial Statements for the year ended 31 July 2021. For the 2021-22 audit, there would be a longer planning period (PKF had been appointed relatively late in the cycle) and this along with lessons learned from PKF's first year in the role would enable a smoother process and reduce pressure on the final audit.

Reported:

(1) A change in appointed actuarial expert would avoid delays incurred in the 2020-21 audit (the University would ensure all necessary independence checks were completed).

(2) Discussions about the extent and scope of access to systems for PKF were ongoing.

(3) Separate subsidiary audits as outlined in the report were within the scope of PKF's engagement and would not incur any additional cost.

10.   **Responses to external audit management letter**

Noted: a report summarising management response to the PKF external audit management letter (including responsibility and timelines).

11.   **Modern Slavery Statement**

Received: the updated, draft Modern Slavery Statement, noting that the Committee had seen an earlier version as part of documentation for potential inclusion in the Financial Statements in September 2021: the Statement had been referenced, but not included in the final version of the Financial Statements, and there was a legal requirement to publish the Statement. An appendix setting out engagement with suppliers was attached at the request of the Committee (although this would not form part of the published Statement).

Noted:

(1) In future iterations, it would be helpful to see some year-on-year trend analysis and if possible comparison of performance with others in the sector. **Action: Interim CFO**
(2) Increased emphasis on this measure and related due diligence within the European Union was a further factor encouraging transparency and measurability.

Agreed: to approve the Modern Slavery Statement for publication

12. **Office for Students Annual Review**

Received: the latest Office for Students Annual Review

13. **Public Interest Disclosures**

Noted: there had been no Public Interest Disclosures since the previous meeting.

14. **Dates of remaining meetings in 2021-22**

Noted: dates of remaining meetings in 2021-22 (next meeting on 31 March 2022 at 1.30pm)