THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE
15 June 2022

Present:	Deirdre Evans (Chair) Ann Barnes Robin Phillips (by video conference, items 1-7) Trevor Rees Alice Webb (by video conference, items 1-5)
In attendance:	Alex Creswell, Advisor to the Committee (by video conference, item 1 only) Luke Georghiou, Deputy President and Deputy Vice-Chancellor Patrick Hackett, Registrar, Secretary and Chief Operating Officer (RSCOO) Carol Prokopyszyn, Chief Financial Officer Louise Bissell, Deputy Director of Finance Dr David Barker, Director of Compliance and Risk Richard Young, Uniac Alastair Duke, PKF Littlejohn Angus Hearmon, Director of IT Services (item 1 only) April McMahon, Vice-President (Learning, Teaching and Students) (item 11 only, by video conference) Nalin Thakkar, Vice-President (Social Responsibility) (item 10 only)
Secretary:	Mark Rollinson, Deputy Secretary

(The order of the agenda was amended to accommodate availability of key contributors)

1. Cyber Risk

Received: a report providing an update on the current status of cyber risk, covering progress since March 2022 and updating Risk 1.1 (major cyber incident and related risk), noting that a further test of cyber incident response was planned for 16 June 2022.

Reported:

(1) There was a relative pause in external cyber threat, because of the Russia-Ukraine conflict, but this was expected to escalate significantly towards the end of the year and impact across all sectors.
(2) The view of the advisor to the Committee that the University's plans and preparation were evolving well and that the single biggest potential weakness was human behaviour, emphasising the importance of training and communications so that all members of the community were aware of the extent and significance of the potential threat.
(3) £5 million had been committed to cyber security enhancement this year and next year.
(4) The Bitsight score measured the extent of any compromised systems, user behaviour, any relevant public disclosures and diligence measures: the University's performance had improved significantly over the past year but there was sensitivity to user behaviour, which reinforced the importance of effective training. A dedicated

team addressing communications and human behaviour in relation to information management and other related compliance was being established (funding was in place from August). The incoming Chief Information Officer was preparing a blog to be issued in his first weeks in post emphasising the importance of robust and effective information management and cyber security.

[redacted] ***Redacted – restricted information***

(10) Thanks to the outgoing Chief Information Officer, Angus Hearmon for his contribution to the University.

2. Declarations of interest

Noted: there were no new declarations of interest.

3. Minutes

Resolved: that the minutes of the meeting held on 31 March 2022 be approved.

4. Matters arising and action tracker

Received: the action tracker setting out progress against matters arising from earlier meetings.

Reported:

(1) The Chairs of Finance Committee and Audit and Risk Committee had reviewed draft terms of reference and these would be circulated shortly to the Committee.
(2) The work on the Policy Framework review was welcome and it would be helpful for the Committee to receive further detail at its next meeting to assess relative risk and ensure prioritisation was being given to areas requiring prioritisation.

Action: Deputy Secretary

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 briefing notes on the Modern Slavery Act (benchmarking institutional outputs) and an update on climate change.

(a) Faculty of Science and Engineering: Faculty Contribution Model

Reported:

(1) The review assessed progress with the development and implementation of a Faculty Contribution Model (FCM) in the Faculty of Science and Engineering and summarised those in place in the Faculties of Humanities and Biology, Medicine and Health. The review considered the purpose, formulation and implementation of the model in a broader strategic context, considering possible enhancements as it developed.

(2) There would be further work with the Directors of Planning and People and Organisational Development on related actions and a further follow-up would take place during 2022-23.

(3) Observations related to model purpose (and the development of a FCM Communications Strategy and clearer project management framework) and activity capture.

(4) Given the consultative nature of the review and that the work had been designed to help further iterations, the review did not contain a standard conclusion.

(b) Biological Services Facility (BSF)-Follow-Up

Reported:

(1) The audit formed part of the University's preparations for a full systems audit of the BSF (the University facility for animals used in scientific research) and also followed up on actions from the previous Uniac visit to the BSF in September 2019. In June 2021, the Home Office had announced a significant change in their approach to inspection.

(2) The review provided substantial assurance in relation to effectiveness of design and reasonable assurance in relation to effectiveness of implementation. The outcome of the Home Office review was still awaited.

(c) Assurance Mapping

Reported:

(1) Uniac had continued with its work on assurance mapping. Since the previous meeting, Uniac had met with the Chair and other committee members, the RSCOO, the Director of Compliance and Risk and the Deputy Secretary to discuss next steps.

(2) The updated Risk Register (see item 7 below) would be used as a starting point for this work, with two risks chosen for further analysis.

(3) Uniac had met with the Director of Resources at the Office for Students (OfS): while there were no formal, mandatory regulatory requirements, the OfS saw this work as demonstration of good governance. Focus was now on outputs to add value at both executive and Board/Board committee level.

(d) Progress against the 2021-22 Plan

Received: the June 2022 report showing progress against the plan.

Reported: Uniac would complete the work on time (a number of reports were already in draft), but there would be a significant volume of reviews to be reported to the September meeting: attention would be given to ensuring a more even flow of reviews to each meeting in 2022-23.

Action: Uniac

(e) Benchmarking of Modern Slavery Statement outputs

Noted: the University's most recent Modern Slavery Statement compared favourably with the sector, although there was some scope for enhancement (eg addition of formal key performance indicators to enable progress to be tracked over time).

(ii) Draft Internal Audit Plan: 2022-23

Received: the draft internal audit plan for 2022-23.

Noted: the following detailed comments from the Committee on, noting the Committee's overall satisfaction with the scope and shape of the Plan:

(1) A management review of the Payroll function (including location) would take place in 2022-23, but this did not necessitate an internal audit review (and there were other more pressing priorities).

(2) The review of Procurement could be expanded to cover compliance with the Modern Slavery Act.

(3) Review of satellite entities should be predicated on risk, with the aim of covering all satellites within a given time period.

(4) The review of space utilisation in FBMH would enable a broader, strategic institutional perspective.

(5) Potential both to bring forward the review of IT Business Continuity to an earlier slot in 2022-23 and to expand the number of days allocated (noting that a further allocation of time in 2023-24 was likely)

(6) The focus of the Capital Projects review should be on benefits realisation.

(7) Consideration be given to culture and compliance

Approved: the draft internal audit plan, subject to adjustment as outlined above and including the attached Charter and key performance indicators.

(iii) UKRI Funding Assurance Audit Follow-Up

Received: an update on the status of the action plan put in place to address the findings of the UKRI Funding Assurance audit.

Reported: positive feedback from UKRI on the outcomes of recent review meetings.

(iv) Summary of Internal Investigatory Work

Received: a summary of internal work undertaken in relation to suspected frauds and irregularities since March 2022.

Noted:

(1) The potential use of anonymised case studies to act as a deterrent (noting that higher cost of living was likely to exacerbate the risk of fraud).
(2) Communications and training were planned to support the relaunch of the Fraud Response Plan.

6. External Audit

(i) Approach to the audit of the 2021-22 Financial Statements

Received: a report from PKF Littlejohn on approach to the audit of the 2021-22 financial statements.
Reported: The report covered overall audit strategy (process, approach and level of materiality), significant audit risks and key audit matters (including risk of management override, revenue recognition, valuation of defined benefit pension scheme liabilities and assets and estimates and assumptions), as well as providing confirmation of quality and independence and the level of fees.

Agreed: to confirm the approach to the 2021-22 audit.

ii) Statement of Principal Accounting Policies

Received: the draft Statement of Accounting Policies which was largely unchanged from the previous year. There were no notable changes, although the sections on Going Concern and Significant Estimates and Judgments would need to be updated to reflect the position as at 31 July 2022.

Noted: the continued need for the Revolving Credit Facility would be assessed in the light of the evolving financial position.

Agreed: the Statement of Accounting Policies subject to the post-year end work in relation to going concern and assessment of significant estimates and judgments.

iii) Responses to External Audit Management Letter

Received: a report setting out the current position regarding responses to the management letter points raised by PKF in their Audit Findings Report.

Noted:

(1) Implementation of the Finance Transformation Programme would enable further improvement in relation to Journal Authorisation.
(2) A new Financial Controller had been appointed, but there were still some ongoing issues in securing sufficient specialist financial resource (and as noted above, this was an issue being addressed at a strategic level by People and Organisational Development).

7. Strategic Risk Register

Received: the latest (June 2022) iteration of the Risk Register which had been updated by risk owners and risk managers. The report reflected changes in risk categorisation, risk description and risk likelihood.

Noted:

(1) At faculty level currently the format of risk registers differed slightly from the institutional version. Risk was actively considered at faculty level and other management groups, including for example, International Group and Teaching and Learning Strategy Group in relation to relevant risks: although the Risk Register was

not explicitly referenced at each meeting, deliberations and decisions were risk based.

(2) The comment that for each risk shown on the Risk Register, it would be helpful to understand the above process and the potential for selective attendance and observation of such groups, so that members could receive assurance on the extent to which consideration of relevant risk was embedded throughout the University.

Action: Director of Compliance and Risk and Deputy Secretary

(3) The potential to review the ranking order of risks so that the order was based on the gap between current and target score and thus areas most in need of further mitigation (noting that weight should also be given to the extent of risk, as indicated by the level of current risk).

Action: Director of Compliance and Risk

(4) In relation to further work on Assurance Mapping (noting 5 (c) 2 above), it was agreed that there would be merit in tracking both a risk where there was a gap to achieve target score (e.g. cyber and related risk) and a risk where there was no gap (e.g. failure to meet research expectations), with the latter serving as a potential exemplar.

Action: Uniac/Director of Compliance and Risk

(5) The importance of ensuring consistency between scores for the three lines of defence and the assessment of effectiveness of overall risk mitigation and ensuring that the narrative from respective risk managers made this clear.

Action: Director of Compliance and Risk

8. Office for Nuclear Regulation Prohibition Notice: response

Received: a report setting out the response by the University to the Prohibition Notice served on the University by the Office for Nuclear Regulation (ONR) which required the University to cease transport of all radioactive material pending administrative improvements: this matter which affected a small number of colleagues, mainly in the Faculty of Science and Engineering, had been reported to the Board of Governors on 25 May 2022.

Reported: providing evidence to demonstrate compliance with the requirements of the Prohibition Notice was relatively straightforward, but the University was taking the opportunity presented by the Notice to review more broadly the safety of its nuclear activities. As evidenced by the report, a positive working relationship had been established with the ONR (and the visit to the ONR had been arranged at the University's request).

9. Grant and Funder Audits-summary

Received: a summary of grant and funder audits carried out over the past year (this included the audit carried out by the Education and Skills Funding Agency carried out referred to under item 11 below).

10. Research Compliance Committee-Annual Report

Received: the annual report from the Research Compliance Committee (RCC)

Reported: that the report provided assurance that the University was meeting its obligations to comply with the statutory, regulatory and policy requirements that govern research.

Noted:

(1) In relation to Human Tissue Act compliance, an external inspection would take place shortly and a recent internal audit had provided assurance about the robustness of controls and assurance. The need to replace the Designated Individual for Anatomy (a statutorily designated position) had been identified quickly through the

second line of defence and reminders had been issued about the requirement for timely notification in the event of movement of any staff holding a key statutory role.

(2) Processes to investigate and rule upon allegations of research misconduct were dealt with expeditiously.

Agreed: that the RCC annual report be included in the Committee's report to the Board, noting the Committee's satisfaction with the level of assurance provided.

11. Education and Skills Funding Agency Assurance Audit

Received: a report summarising the outcome of the recent Funding Assurance Review carried out by the Education and Skills Funding Agency.

Reported:

(1) The audit concluded that the University had substantially met contractual requirements, with a sample error rate of no more than 5%.

(2) The error rate represented approximately £15,000, the majority of which arose from a relationship with a sub-contractor. The Degree Apprenticeship Steering Group had agreed an action plan.

Agreed: that the Committee's thanks to the team involved for a successful audit outcome be recorded.

12. Public Interest Disclosures

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

13. Dates of remaining meeting in 2022-23

Noted: the following dates for meetings in 2022-23, which incorporated a change to the mode of meeting for November 2022 and January 2023 agreed by the Committee at the meeting.

Monday 19 September 2022 11am (with pre meeting for members of the Committee and officers only at 10.30 am) In person
Wednesday 9 November 2022 2.30pm (Preceded by Joint meeting with Finance Committee at 1.00pm and pre meeting for members of the Committee and auditors only at 2:00 pm) Zoom
Wednesday 25 January 2023 10am In person
Wednesday 26 April 2023 10am In person
Wednesday 14 June 2023 10am Zoom