

## THE UNIVERSITY OF MANCHESTER

### AUDIT AND RISK COMMITTEE

22 September 2022

- Present:* Deirdre Evans (Chair)  
Ann Barnes  
Robin Phillips  
Trevor Rees
- Apologies:* Alice Webb  
Alex Creswell, Advisor to the Committee
- In attendance:* 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  
Sue Suchoparek, Uniac  
Joe Johnson, Uniac  
Alastair Duke, PKF Littlejohn  
PJ Hemmaway, Director of IT Services (items 1-6 only)
- Secretary:* Mark Rollinson, Deputy Secretary

#### 1. Declarations of interest

**Noted:** there were no new declarations of interest.

#### 2. Terms of Reference and Membership

**Received:** revised terms of reference prepared, following recommendations arising from the Halpin Review and a subsequent process of review involving Uniac, the Chairs of Finance and Audit and Risk Committee, the RSCOO, colleagues in the Finance Directorate and members of the Committee.

**Noted:** given the Committee's role in reviewing the adequacy and effectiveness of the University's financial and non-financial internal controls, that consideration be given to the compilation of a schedule of all relevant internal controls (to complement the Strategic Risk Register) to facilitate this review. **Action: Uniac**

#### **Recommended:**

(1) The terms of reference be approved, subject to the following amendments (additional text shown in red and italics):

a) Constitution and Membership...4 The ARC shall be entitled to co-opt additional members *for a maximum of three terms of three academic years (or, where appointed for whatever reason for any period of fewer than three years, for no longer than nine years in total)*, to provide specialist skills, knowledge and experience with the approval of the Board.

b) Constitution and Membership: ...5. ARC members should declare to the appropriate authority, any personal interest that may compromise or might reasonably be deemed to compromise impartiality, conflict with duty as an employee *to their employer*....

c) Internal Controls and Risk Management: ...8. To oversee any other special strategic operations, including overall strategic plan, cost reductions, change programmes, significant contracts and material projects to assess overall systemic risk or if they are considered to pose a significant strategic risk, either at its own volition or following a request from the Board. *In this context and to support this oversight work, the Committee shall have the ability to commission specialist, external work.*

### 3. Minutes

**Resolved:** that the minutes of the meeting held on 15 June 2022 be approved, subject to the following amendment (in red and italics):

**“1. Cyber Risk....**

**Reported...**

1) There was a relative pause in external cyber threat *because of the Russian-Ukraine conflict*, but this was expected to escalate significantly towards the end of the year and impact across all sectors.”

### 4. Matters arising and action tracker

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

**Noted:**

(1) For the next meeting, in relation to policies awaiting review, it would be helpful to have both a breakdown of policy owners by Directorate and an indication of any policies awaiting review impacting on the student experience.

(2) The Committee had previously commented on the potential for selective attendance and observation of relevant management groups so that members could receive assurance on the extent to which consideration of relevant risk was embedded throughout the University. The optimal approach to this was under consideration by senior management and members would be apprised of the outcome (and potential attendance at meetings) as soon as possible.

**Action: Deputy Secretary**

### 5. Committee Forward Agenda 2022-23

**Received:** the draft Committee forward agenda for 2022-23

**Agreed:**

(1) To update the Forward Agenda to cover the Committee’s academic governance assurance role (e.g. consideration of academic governance assurance reports in relation to research and teaching, learning and students).

(2) To provide greater specificity in relation to proposed Deep Dives (and this should include consideration of the risk to delivery of the Strategic Plan).

**Action: Deputy Secretary**

### 6. Cyber Risk update

**Received:** a report and presentation from the Director of IT Services covering:

- (1) The HE Cyber Security Breaches Survey 2022 (approx. 35% of cyber attached focused on universities and 92% of institutions reported breaches or attacks in the past 12 months).
- (2) An update on measures to mitigate Risk 1.1 (cyber and related risk), including the imminent introduction of Default Deny in the Data Centres and the introduction of ProofPoint to protect against inbound email threat.
- (3) The latest Bitsight benchmark report: the University's comparative performance continued to improve, although there was scope for further improvement.
- (4) Headline findings from the Uniac audit (see 7 i) (c) below): key risks related to cyber security strategy and device patching. The management response highlighted plans to develop a strategy following an independent assessment and an approach to end user device patching.
- (5) A four phase approach to an independent vulnerability assessment, including penetration testing and a security configuration review.
- (6) A planned review of cyber governance and the creation of a new post of Chief Information Security Officer and the creation of a new Cyber Division.

**Noted:** in response to questions from members:

- (1) The Committee would be provided with high level metrics on a regular basis.  
**Action: Director of IT**
- (2) To provide greater clarity in relation to accountability, a one pager outlining roles and responsibilities for cyber risk and governance was in preparation.  
**Action: Director of IT**
- (3) Alex Creswell was providing specialist input and advice in relation to procurement for the independent cyber assessment.
- (4) There was potential to accelerate the target date (December 2023) for completion of device patching: the aim was to fulfil this whilst minimising impact on academic colleagues, and the creation of the IT Operations Centre would provide proactive reporting of patch management compliance and follow-up. The aim was to achieve 85-90% compliance, noting the need to focus on Bring Your Own Device (BYOD) activity.  
**Action: Director of IT**

## 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, and an update on assurance mapping.

#### (a) Cancer Research UK: Manchester Institute (CRUK MI)

**Reported:**

- (1) The audit had been requested by the Vice-President and Dean of the Faculty (Biology, Medicine and Health) and the Faculty senior management team and was part of a suite of reviews linked to providing assurance on 'satellite entities' as overseen by the Deputy Director of Finance.
- (2) The review provided limited assurance in relation to effectiveness of design.



**Redacted – restricted information**

There were two high risk findings in the report, relating to delays in setting up research awards and delays in reconciling and closing awards and award codes where required.

(4) The report outlined the history of the relationship between CRUK MI and the University which was set out in a Memorandum of Understanding (MoU) enabling operational autonomy for the Institute, whilst complying with University regulatory, governance and reporting requirements. The RSCOO noted that renegotiation of the MoU, whilst protecting academic autonomy and independence would provide greater scope for system and service integration.

### **(b) Business Continuity and the Student Journey**

**Noted:** an advisory review containing recommendations to be taken forward by the University's Resilience Advisory Group.

### **(c) Cyber Security**

**Reported:**

(1) The Director of IT Services had referred to the review in his report under item 6 above, highlighting the approach to highest risk findings.

(2) The review provided reasonable assurance in relation to effectiveness of design

### **(d) UK Research and Innovation (UKRI) Related: Procurement Cards, Frequent Traveller Cards and Vouchers**

**Reported:**

(1) The audit of procurement cards, frequent traveller credit cards and vouchers was in response to recommendations arising from the UKRI Funding Assurance Programme audit which had resulted in a limited assurance finding: an update on the University's response is set out under item 7 iii) below.

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

(3) Key findings related to the scope to centralise provision of purchasing cards and reduce the number of frequent traveller cards in circulation.

**Noted:** in response to a question about the relatively small sample size for review of transactions, there had been analysis and screening of data to ensure focus on potential problem areas. In this context, there was confidence in the reasonable assurance conclusion.

### **(e) Data Landscape**

**Reported:**

(1) The review had the objective of providing input to a University data and analytics project and support in prioritising any findings as part of re-phasing.

(2) A further review was anticipated in 2022-23 and given the nature of the review, standard audit conclusions had not been provided.

#### **(f) IT Services: Use of IT suppliers and consultants (follow-up)**

##### **Reported:**

(1) A follow-up review had been undertaken following an earlier (January 2021) review of use of IT suppliers and consultants. From the work done and evidence provided, Uniac was content that implementation of agreed action had been completed and no further specific follow-up was planned.

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

#### **(g) School Reviews: School of Health Sciences (SHS) and Alliance Manchester Business School (AMBS)**

##### **Reported:**

(1) As part of the agreed annual internal audit programme, Uniac visited two schools per year, rotating across the three faculties (this meant that each School would be reviewed at intervals of not less than five years).

(2) Audits were risk based with scope broadly aligned with compliance with Financial Regulations and Procedures, with specific risk areas identified in discussion with the Head of Faculty Operations and the Head of Faculty Finance. The SHS review had also focused on staffing structures, whilst the AMBS review had also focused on governance and management arrangements for research institutes.

(3) Both reviews had provided reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.

(4) Common themes were emerging from School reviews (including the potential to reduce the need for additional, bespoke reporting) and these would be shared with Directors of Faculty Operations.

**Noted:** in response to a member's question, further information (including data analytics) about the relatively high number of purchase orders raised after the invoice date in SHS would be made available after the meeting. **Action: Uniac**

#### **(h) Tracker/post-audit review exercise**

**Reported:** based on action progress, provision of substantial assurance for management action completion in the period February-September 2022.

#### **(i) Assurance Mapping**

##### **Reported:**

(1) Throughout 2021-22, the Committee had received updates on assurance mapping and the update outlined further progress in developing the approach following discussion with members and engagement with the Office for Students (OfS).

(2) The former interim, now permanent, Chief Executive of the OfS had made it clear that focus on process was not a substitute for demonstrable substantive compliance.

(3) The revised approach stripped out some previous detail and was focusing on the effectiveness of different lines of assurance.

(4) An appendix to the report gave examples of draft assurance maps for Risk 1.2- 'Major incident related to information security and data protection' and Risk 3 'Employee Value Proposition: If our employee value proposition is not improved we will lose our best people and be unable to replace them'.

(5) In relation to lines of assurance, these remained constant irrespective of the risk – although some will not be applicable. The lines capture broader (and 'softer') elements which are important as part of an assurance framework but are not, necessarily,

assurances on their own e.g., training and staff understanding of roles and responsibilities (and the consequences of non-compliance). With 'substance' in mind, the lines capture relevant committees and groups but an additional assessment is required on whether they are effective in their role (hence reference to KPI monitoring, gaining satisfaction that changes / improvements have been made).

(6) Against each assurance provider, there was an assessment of provider effectiveness. This should be informed by institutional governance reflections and any self-assessments (and, for example, results from external reviews e.g., the Halpin Board report). Criteria to include for assessment (and hence the score of High, Medium or Low) might include the range and experience of members of a Committee / Group, what information is received – e.g. is it adequate to assess the management of risks?, is it timely and complete?, does the Committee / Group monitor agreed actions? etc.

**Noted:** the Committee welcomed the evolution of the approach as outlined and reiterated its earlier suggestion to track 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). **Action: Uniac**

#### **(j) Update on 2022-23 Annual Programme**

**Received:** an update on the 2022-23 programme

#### **Reported:**

(1) In relation to the capital project review, after discussion with relevant senior colleagues, it was proposed that the suggested review of the Manchester Engineering Campus Development (MECD) be delayed as there would be greater value in a review in 2023-24, given the significant amount of relevant activity scheduled to take place in 2022-23.

(2) As an alternative, the proposal was to review the Alliance Manchester Building School (AMBS) capital programme. This was a significant and complex assignment (with expenditure of over £80m) which included the hotel development and input and engagement across academic areas and Professional Services.

#### **Noted:**

(1) Notwithstanding the significant amount of activity planned at MECD in 2022-23 (including a major transfer of staff) and the limit to the amount of relevant data that may be available, there was still an appetite from members for a review relating to MECD in the 2022-23 programme, to ensure timely evaluation and lessons learned.

(2) The potential for a phased approach to enable a review of some elements of MECD in 2022-23.

**Agreed:** that further work be carried out to assess the feasibility of a review of MECD in 2022-23, to be reported to the next meeting of the Committee in November.

**Action: RSCOO/Uniac**

#### **(ii) Draft Internal Audit Annual Report 2021-22**

**Received:** the draft internal audit annual report for 2021-22.

**Approved:** the report, subject to minor textual changes to ensure consistency of terminology in relation to the Board Assurance Framework. **Action: Uniac**

#### **(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:**

(1) Recent meetings with UKRI had gone well, with UKRI commenting on the level of co-operation and transparency and pleased with the quality of information submitted by the Research funding teams.

(2) UKRI planned to visit the University in November 2022 to undertake a closure audit and it was hoped that the University would be released from special measures following this.

(3) The UKRI closure report would be shared with the Committee: assuming the University was released from special measures, the next Funding Assurance Programme audit would be in the 2024-25 academic cycle.

**(iv) Summary of Internal Investigatory Work**

**Received:** a summary of internal work undertaken in relation to suspected frauds and irregularities since the last report to the Board in June 2022.

**8. External Audit**

**(i) External Audit update: update from PKF Littlejohn**

**Received:** a verbal report from PKF Littlejohn on progress towards completion of the audit of the 2021-22 financial statements.

**Reported:** both PKF Littlejohn and the University reported good progress and it was anticipated that completion would be completed by the required deadline to enable reporting to the Committee and the Board in November.

**(ii) Annual Reporting. Draft information for inclusion on the Financial Statements**

**Received:** draft narrative content for the Financial Statements (the Statement on Corporate Governance and Public Benefit content).

**Reported:** the Public Benefit content was significantly shorter and more focused than in previous years, whilst still satisfying Charity Commission reporting requirements.

**Noted:** the process of review by PKF Littlejohn would include confirmation that the narrative content was sufficient to meet the University's obligation as a Public Interest Entity.

**Agreed:** to approve the narrative content subject to specific minor changes as outlined in the meeting. **Action: Deputy Secretary**

**iii) Turing Scheme Project Audit**

**Received:** a report requesting that the University's external auditors, PKF Littlejohn, undertake a specific additional audit certification in relation to the Turing scheme (the successor to the EU, Erasmus Scheme), on an ongoing annual basis. The maximum available grant for 2021/22 was £2.1m and actual spend to be audited was circa £1.3m.

**Reported:** the audit certification required had been discussed with PKF Littlejohn in order to ascertain whether they were permitted to undertake this work as auditors of the University as a Public Interest Entity (PIE). PKF have confirmed that they were

able to undertake this work having reviewed the nature of the assignment against the Revised Ethical Standard which governs the services auditors can provide to audit clients, in particular those that are Public Interest Entities.

**Agreed:** that PKF Littlejohn undertake the Turing Scheme audit (noting that this will be an annual request for the duration of the Turing scheme). **Action: PKF Littlejohn**

#### 9. Office for Nuclear Regulation Prohibition Notice: response

**Received:** a report updating the Committee on the University's response to the Office for Nuclear Regulation (ONR) Prohibition Notice, reported to the Board, and Audit and Risk Committee earlier in the year

**Reported:**

(1) The prohibition notice affected only a small number of research activities, involved with the transport of radioactive material only. To comply with the notice, examples of a radiation risk assessment and contingency plan were required and these were submitted to ONR for review on 5 August, as agreed with their inspector.

(2) ONR had replied and requested clarification on a small number of matters, and a meeting with relevant advisers would take place towards the end of September. In the meantime, restrictions remained in place, but with minimal impact on normal activity.

(3) In light of the Prohibition Notice, the Director of Compliance and Risk had commissioned a comprehensive audit of Ionising Radiations Regulations. This indicated good compliance, with some areas of potential weakness to address (these could be mitigated through existing governance structures). The report's recommendations were being tabulated and prioritised and the report and its recommendations will be presented to, and delivery managed through, the Radiation Safety Advisory Group, which reports in to the University's Health, Safety and Wellbeing Committee. **Action: Director of Compliance and Risk**

#### 10. Anti-Corruption and Bribery Policy

**Received:** the revised Anti-Corruption and Bribery Policy approved by the Board in July 2022, on the recommendation of Finance Committee.

#### 11. Public Interest Disclosures

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

#### 12. Dates of remaining meeting in 2022-23

**Noted:** the following dates for remaining meetings in 2022-23.

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