Approved Minutes

THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE

26 January 2023

Present:	Deirdre Evans (Chair)
	Ann Barnes
	Robin Phillips
	Trevor Rees
	Alex Creswell (Advisor to the Committee-by videoconference)
Apologies:	Alice Webb
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
	PJ Hemmaway, Chief Information Officer (item 6 only)
	Richard Young, Uniac (items 1-11)
	Sue Suchoparek, Uniac (items 1-11)
	Alastair Duke, PKF Littlejohn (items 1-11)
Secretary:	Mark Rollinson, 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 2022 be approved.

3.   Matters arising and action tracker

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

Noted:

(1) That several items on the tracker could be removed as they were either complete or addressed through regular business scheduling (including through Uniac follow-up reports). **Action: Deputy Secretary**
(2) Feedback from Committee member attendance at Faculty Leadership Teams would be considered under the Strategic Risk Register item.
(3) The deep dive on Major Projects scheduled for the April meeting should focus on the aggregate risk, addressing any common barriers to successful delivery (for

example, the ability to recruit and retain high quality staff given the relatively buoyant labour market). Successful delivery of major projects was not synonymous with delivery of the Strategic Plan but was an essential enabler towards achievement.

Action: RSCOO/Director of Planning/Deputy Secretary

(4) In relation to Procurement and Value for Money it was agreed that future annual reports should reference compliance with relevant competitive tender requirements, Compliance with these requirements was rigorously monitored by the Procurement Team and compliance at local level was regularly considered by Uniac as part of its programme of School Reviews.

Action: Chief Financial Officer/Head of Procurement

4. **Internal Audit and Internal Control**

(i) Uniac Progress Report

Received: the latest Uniac internal audit progress report, which contained a summary of progress since the previous meeting, a full programme summary and an update on assurance mapping.

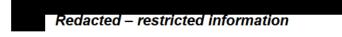**(a) Technology Platforms (Faculty of Biology, Medicine and Health)**

Reported:

(1) The audit had been requested by the Vice-President and Dean of the Faculty (Biology, Medicine and Health) and the Director of Faculty Operations as the nine technology platforms had not previously been subject to an internal audit and there was concern about varying cost recovery for the facilities and the degree of strategic oversight.

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

Noted:

(1) Although there were two high risk findings, both related to one facility, so the overall reasonable assurance rating was justified. The high-risk findings were being addressed by the Faculty.

Redacted – restricted information

(b) Escape of Water (Follow-Up)

Reported:

(1) The audit was a follow-up to a review carried out in August 2020 following a significant rise in insurance premiums resulting from increased prevalence of incidents resulting in damage caused by loss of water (a sector-wide trend)

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

(3) Generally good progress had been made and the outstanding work required for full implementation of recommendations was not significant.

Noted:

(1) The review provided evidence to insurers of action taken by the University for consideration in consideration of future premiums.

(2) The excess figure referred to in the review referred only to damage cause by escape of water.

(c) Accommodation Code of Conduct Compliance-University Halls

Reported:

(1) The audit assessed compliance with the UUK Accommodation Code of Practice (ACOP) for the Management of Student Housing. Testing and evidence of compliance was sought across a sample of University residences.

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

(d) Accommodation Code of Conduct Compliance-Private Halls

Reported:

(1) The audit assessed compliance with the UUK Accommodation Code of Practice (ACOP) for the Management of Student Housing. Testing and evidence of compliance was sought across a range of privately owned halls.

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

(e) Modern Slavery Act

Reported:

(1) The review assessed compliance with obligations arising from the Modern Slavery Act including the requirement to produce an annual statement that describes the steps taken to ensure there is no modern slavery either in business operations or supply chains.

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

(3) From a supply chain perspective, the University's Modern Slavery Statement and response compared favourably with others sampled inside and outside the sector. However, when benchmarked against comparators, the Statement was weaker in respect of other key areas of University activity (for example impact on students and staff) and this was the rationale for the limited assurance rating.

(4) Greater coordination and integration of activities was required including the development of a University wide action plan, along with training and awareness raising. The Director of Social Responsibility would take on a strategic, oversight role. Uniac would assess progress against the risk findings in July. The Coordination and Oversight Group referred to in the report would include student membership.

(f) Agreed Actions Follow-Up

Reported: Good progress in relation to agreed actions: only ten (of 182) actions were deemed overdue and none of these were high risk.

Noted: IT related actions should be included in future reports and not reported separately. **Action: Uniac**

(g) Fraud Risk Assessment

Received: Uniac had been working with senior staff to draft a Fraud Risk Assessment to identify fraud risks across the University and enable mitigating actions. The Fraud Risk Assessment would be structured and scored to ensure consistency with the institutional risk register.

Noted: sickness absence and recording of holidays should be included as a sub-risk.

(g) Office for Students (OfS)-Advisory Input

Noted: ongoing work with University colleagues to update the OfS Registration Conditions Assurance Map.

(h) Update on selected other reviews

Reported: following earlier discussion at the Committee, further input from members and engagement with relevant University colleagues, terms of reference for the MECD review had been issued and fieldwork started. The review would complement planned work and offer opinion on the general benefits realisation process and assessment of cost reductions.

Noted: it was hoped that the review would provide valuable insight for future projects, particularly in relation to use of space and assessing future space requirements.

(ii) Assurance Mapping

Reported: further work had taken place on assurance mapping to aid clarity and confirm the link between the maps and the Strategic Risk Register. As requested by the Committee, there had been focus on two risks, one where the current risk score falls short of the target score (Cyber) and one where the current score and the target score align (Research).

Noted:

(1) Whilst the process was still evolving, good progress had been made. The correlation between the maps and the Risk Register was clear from the amount of red and green appearing on the maps (e.g. greater prevalence of red on the Cyber map was an indication of the gap to achieve the target score). There was scope for this correlation and implications for the Committee to be made even clearer in the commentary in the report.

(2) The potential significance of legacy risks, and value in liaison with insurers to ascertain the most likely and most serious causes of historic litigation.
Action: Uniac/Director of Compliance and Risk

(3) In relation to the research risk, discussions with Faculty Leadership Teams had highlighted concerns about delays in recruitment. Recent work in People and Organisational Development had done much to address this: however, there was

recognition of some continuing operational process and cultural issues which needed to be addressed.

(4) Approximately 80% of academics on time-limited contracts were re-employed and there was recognition of the importance of clear and consistent communications around this issue.

(iii) Progress against the plan

Reported: an update on progress.

Noted: the potential replacement of the planned Cyber Review with a review of IT Change Management (noting that Cyber will be included in the 2023-24 plan). Confirmation of changes would be sought at the April meeting, following further discussion with the RSCOO (noting that there would be potential further consequential changes to the programme to ensure completion on the programme within budgeted days).   **Action: Uniac**

(iv) UKRI Funding Assurance Audit Follow-Up

Reported: following a visit by UKRI in November 2022, the University's limited assurance rating had been removed, with the award of a moderate assurance rating.

(v) Internal Investigatory Work

Noted: there were no current issues to report.

5.   **External audit**

Received: the final audit findings report from PKF, including management responses.

Noted:

Redacted – restricted information

(2) PKF reviewed the accounts for all subsidiaries and this formed part of the consolidated group report (PKF attended the Board meeting of the University of Manchester Innovation Factory): any material issues would be highlighted and reported to the Committee.

6.   **Cyber Risk**

Received: an update from the Chief Information Officer on the following matters: recruitment of Chief Information Security Officer (Heather Lowrie, who would take up post from May 2023): Firewall Replacement: Independent cyber assessment: Initial cyber metrics: lines of defence.

Noted:

(1) Plans for a significant increase in the size of the Cyber Programme team, noting some initial dependence on contract resource.
(2) From the advisor to the Committee, an assessment of the current external cyber threat profile, including recent trends relating to external actors and the implications and potential impact of recent advances in artificial intelligence.

(3) In relation to metrics, the appointment of the Chief Information Security Officer would facilitate the provision of a one-page executive dashboard summary.
(4) The volatility of BitSight scores, noting that there were other external mechanisms used to assess external threat.
(5) The use of Red Teams in the third line of defence helped to plan for increased resilience in the face of external cyber-attack.

Agreed: on the recommendation of the Chief Information Officer, that the University conduct a full independent cyber assessment every two years, noting that the first assessment would take place in April 2023, after the award of the contract.

7.   **Strategic Risk Register**

Received: the latest (December 2022) iteration of the Strategic Risk Register

Noted:

(1) Notwithstanding the commentary in the summary report about change in risk profile, the risk scores were largely unchanged from the previous (June 2022) version seen by the Committee.
(2) In addition to ranking the order of risks so that it was based on the gap between current and target score and thus areas most in need of further mitigation, there was merit in including an expected timescale for adequate mitigation, and thus achievement of the target score.
(3) The defined risk score (and the Committee's acceptance of it) effectively define institutional risk appetite.
(4) The experience of Committee members attending Faculty Leadership Teams was that, without explicit reference to risk registers, risk assessment was clearly ingrained in discussion and helped shape decision making (examples referred to related to People risk, Data Security risk and assessment of a new business case). It was important to ensure that this was factored in and appropriately referenced into future consideration of risk.
(5) Risk assessment was also an integral part of the Annual Performance Review process.

Agreed: although the next iteration of the Risk Register was not due until June, the Committee should return to consideration of the Risk Register, focusing on areas where there were the most significant differences between actual and target risk scores.
Action: Director of Compliance and Risk

8.   **Subsidiaries and Satellite Entities Assurance Report**

Received: an update on satellite entities, including subsidiaries

Reported:

(1) The report provided an update on the University's satellite entities, with the proposal that the Committee's future focus be informed by risk assessment (ie focus on those at scale and not deemed low risk, with others monitored at a local level).

(2) Subsidiaries were a subset of satellite entities, i.e. either wholly or majority owned by the University (all current University subsidiaries were wholly owned). A detailed report on the financial results and rationale for the subsidiaries would be presented to Finance Committee on 31 January.

Noted:

(1) The need to avoid dual reporting to both Audit and Risk Committee and Finance Committee to ensure clarity of remits and avoid duplication. The Chair of the Committee would liaise with the Chair of Finance Committee on this point: Audit and Risk

Committee's focus should be on monitoring entities which carried the most significant institutional risk.

Action: Chairs of Audit and Risk and Finance Committees

(2) The University's accounting policies including a clear definition of and rationale for designation of associates.

(3) The list of entities reflected the University's history and legacy (with a range of models): whilst ideally, there should less diversity in the arrangements, in practice this was likely to be challenging to achieve. Focusing on outcome and risk profile would be more valuable for the Committee.

Agreed: the following entities should be reviewed on an annual basis

    i)   All University active subsidiaries - in January
    ii)   ID Manchester – in June
    iii)   Cancer Research UK Manchester Institute – in June
    iv)   Manchester Science Partnerships – in April
    v)   Northern Gritstone-in April

Action: Chief Financial Officer/Deputy Director of Finance

9. **Public Interest Disclosure Policy**

Received: a revised Public Interest Disclosure (Whistleblowing) Policy and Procedure recommended for approval by Planning and Resources Committee.

Noted: the existing Policy and Procedure had been amended so that language and tone were more accessible. Despite that, the Committee's view was that there was scope to effect further improvements in that regard and asked that this be given attention before the next scheduled review (February 2024).

Action: Deputy Secretary/Director of People and Organisational Development

Agreed: to approve the revised Public Interest Disclosure Policy and Procedure

10. **Public Interest Disclosures**

Noted: an update on a Public Interest Disclosure received since the previous meeting.

11. **Committee Forward Agenda 2022-23**

Received: the updated Committee forward agenda for 2022-23.

Before consideration of the next item, Alistair Duke from PKF and Richard Young and Sue Suchoparek from Uniac left the meeting.

12. **Appointment of external auditors**

Recommended: following consideration of a report from the Chief Financial Officer, the extension of the current audit contract for PKF Littlejohn LLP to the year ended 31 July 2026, subject to continued satisfactory performance, which would be assessed annually. **Action: Deputy Secretary**

13. **Dates of remaining meeting in 2022-23**

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

Wednesday 8 February 2023 4.30pm Additional meeting to consider academic governance assurance reports before the Board meeting on 22 February 2023.
Wednesday 26 April 2023 10am   In person (including deep dive into delivery of major projects)
Wednesday 14 June 2023 10am   Zoom