

THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE

8 November 2023

Approved

- Present:* Deirdre Evans (Chair)
Ann Barnes
Robin Phillips
Tony Raven
Trevor Rees (from item 4)
Natasha Traynor (from item 4)
- Apologies:* Alex Creswell, Advisor to the Committee
- In attendance:* Professor Dame Nancy Rothwell, President and Vice-Chancellor (items 1-10)
Patrick Hackett, Registrar, Secretary and Chief Operating Officer (RSCOO)
Carol Prokopyszyn, Chief Financial Officer
Louise Bissell, Deputy Director of Finance (items 1-10)
Dr David Barker, Director of Compliance and Risk
Richard Young, Uniac
Sue Suchoparek, Uniac
Alastair Duke, PKF Littlejohn
Steve Jordan, Deputy Director of Estates and Facilities (items 1-4)
Prof Colette Fagan, Vice-President (Research) (item 11 only)
Prof April McMahon, Vice-President (Teaching, Learning and Students (item 11 only)
- Secretary:* Mark Rollinson, 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. Financial Statements and External Audit

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 (Caroline Johnstone (Chair), David Buckley, Guy Grainger, Reinmar Hager, Hannah Mortimer and Professor Dame Nancy Rothwell).

Received:

- (1) Summary of key points from the Financial Statements
- (2) Draft Financial Statements for the year ended 31 July 2023.
- (3) Going Concern report
- (4) Report to the Audit and Risk Committee and Board of Governors from PKF Littlejohn LLP (PKF) for the year ended 31 July 2023 (the Letter of Representation was appended to the report).

Reported:

(1) 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. Finance Committee was satisfied with information as presented to the joint meeting.

(2) The summary report included a reconciliation of the management accounts to the Financial Statements and, as an appendix, a reconciliation of the University only Financial Statements to the consolidated Financial Statements. The report also included a summary of the position in relation to the Statement of Comprehensive Income (SOCl) and the Statement of Financial Position. Finance Committee had requested that the reconciliation also reflected the adjusted operating surplus as set out in the Financial Statements.

(3) No post Balance sheet events were currently anticipated (and in response to a question the closure of the Finance Transformation Programme had no impact on this). Finance Committee was comfortable with the scenario modelling in the Going Concern summary and had asked for a summary of mitigations in relation to the worst case reverse stress test scenario 3b, which showed a significant impact on cash compared with all other scenarios. Finance Committee has also asked for further reflection on the extent of disclosure under the Statement of Principal Accounting Policies in the Financial Statements noting that this had been expanded during the Covid pandemic but now appeared disproportionately lengthy in comparison to peers in the sector. The external auditors, PKF Littlejohn (PKF) confirmed that they were comfortable with a reduction of this section.

(4) The draft Financial Statements were recommended for approval subject to the completion of outstanding items as outlined in the PKF Audit Findings Report, confirmation that unadjusted audit differences would not be booked, completion of final checks by PKF and inclusion of their final Audit Opinion (this would all be complete in the version that would be submitted to the Board of Governors for approval).

(5) The external audit report from PKF Littlejohn LLP covered key audit risks and findings, noting that no new risks had emerged since the planning work: these included assessment of key audit risks (e.g. risk of 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, accounting estimates, valuation and impairment of property, plant and equipment, valuation of bad debt provision and wages and salaries). Most work outstanding referred to in the report had now been completed and remaining actions would be completed shortly, and none of these were anticipated to impact on the unqualified audit opinion set out in the report. Remaining outstanding work included the IT review, which had been subject to delay because of the impact of the cyber-attack, but this would be concluded shortly and in time for the finalisation of the report to go to the Board of Governors

(6) Work to date had not detected any significant deficiencies in internal controls (noting that work on IT systems and controls was still to be concluded). Two other deficiencies were noted (one of which had been noted in the previous year's report) but it was not anticipated that any material issues would need to be reported to the Board (all other deficiencies raised in the previous year's report had been resolved). One of the non-significant deficiencies related to bank reconciliation presentation and Finance Committee had discussed how this would be addressed (and in addition it was noted that a Uniac audit of the Treasury function is currently taking place).

(7) PKF's report set out adjusted and unadjusted misstatements, none of which (either individually or collectively) were material and did not impact on PKF's opinion.

(8) 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.

(9) The draft letter of management representation was appended to the report.

(10) Members were encouraged to submit any additional comments on matters of detail in the Financial Statements before finalisation.

(11) PKF thanked Finance Department staff for cooperation in preparation of the audit.

Agreed: having heard from Finance Committee, to recommend approval of the Financial Statements and related documentation to the Board of Governors (subject to conclusion of matters of detail in both the Financial Statements and the Audit Findings Report).

(NB In relation to the draft Financial Statements, members are 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 is required to comply with various rules, regulations and standards. This imposes 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. Declarations of interest

Noted: there were no new declarations of interest.

3. Minutes

Resolved: that the minutes of the meeting held on 19 September 2023 be approved.

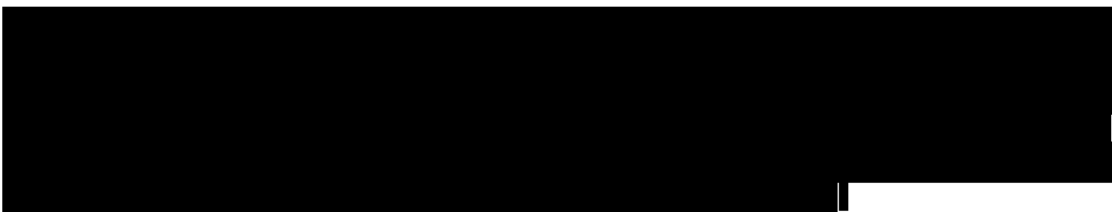
4. Matters arising and action tracker

Received: the action tracker setting out progress against matters arising from earlier meetings. This included as appendices an update on the closure of the Finance Transformation Programme (FTP), including the report presented to Finance Committee, and a status report on Reinforced Autoclaved Aerated Concrete (RAAC) on campus.

Noted:

(1) The FTP report set out technical risk mitigation and no impact on financial and compliance governance and assurance was anticipated: the conclusion of the lessons learned exercise would be presented to the Committee once concluded.

Action: Chief Financial Officer



[Redacted]

[Redacted]

Noted:

[Redacted]

[Redacted]

Redacted – restricted information

Agreed:

(1) That the Committee receive updates on a regular basis.

(2) To approve the approach outlined in the report, that the University follows a risk-based approach based on condition using ISE methodology

Action: Director of Estates and Facilities

5. 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, and a sector briefing note on Health and Safety Benchmarking.

(a) Health and Safety

Reported:

(1) The review had been requested by the RSCOO and Director of Compliance and Risk given a rise in number and significance of health and safety events, including near misses.

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Redacted – restricted information

Noted:

(1) Uniac was thanked for a comprehensive, challenging but constructive report which demonstrated mature understanding of the University.

(2) Governance structures, processes and relevant policy were well developed and sound, and the main issues arising from the review related to consistency and accountability across the institution. The review revealed a clear need to clarify responsibilities and reinforce local accountability: it was essential to ensure that key staff (eg Principal Investigators) were facilitated to deliver on their responsibilities effectively.

(3) The increase in near miss reporting was a positive development as staff should be encouraged to report: the relatively low level of student reporting was noted.

(4) Discussions were planned with colleagues in People and Organisational Development on optimal means to record training in the absence of a fully functioning LMS.

(5) It was important to get a comprehensive institutional picture of the efficacy of arrangements, including learning from areas where practice was effective.

(6) Health, Safety and Wellbeing Committee and the Occupational Health, Safety and Training Advisory Group would monitor implementation of the actions in the review.

Action: RSCOO/Director of Compliance and Risk/Head of Safety Services

(b) Other reviews

Reported: the outcomes of other reviews reported to the Committee were as follows:

(1) **University of Manchester Worldwide Limited:** reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.

(2) **Student Feedback on Assessment:** reasonable assurance in relation to effectiveness of design (NB Prof April McMahon had been sponsor for this review which had helped to inform the Annual Academic Governance Effectiveness Review for Teaching, Learning and Students (item 11)).

(3) **Access Charges:** reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.

(4) **Research Institutes (Faculty of Science and Engineering):** reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.

(5) **Freedom of Information: Full Follow-Up:** reasonable progress made.

(6) **IT Actions: Full Follow-Up:** substantial progress made (all actions implemented).

(c) Briefing Notes

Received: briefing notes on Health and Safety Benchmarking Assessment (comparison of five institutions).

Agreed: that the report be referred to Health, Safety and Wellbeing Committee for further consideration.

Action: Deputy Secretary

(ii) Final Internal Audit Annual Report 2022-23

Agreed: the final version of the internal audit report for 2022-23, subject to minor textual amendment.

(iii) Internal Investigatory Work

Reported:

[Redacted]

Redacted – restricted information

6. Annual Report of the Committee to the Board of Governors for 2022-23

Received: the annual report of the Audit and Risk Committee, prepared for the Accountable Officer (the President and Vice-Chancellor) and the Board of Governors

Agreed: that the report be circulated to the Board of Governors.

Action: Deputy Secretary

7. Modern Slavery and Human Trafficking Statement

Received: Modern Slavery and Human Trafficking Statement which was required by law to be updated annually and to be visible to the public on the University's website.

Reported: Following an audit review of previous versions, this year's statement included more information on the University's approach to modern slavery through its

teaching, research and social responsibility functions, as well as the important work it does operationally through its role as a major spender and employer.

Noted:

(1) The Committee welcomed and commended the revised approach which gave a much broader account of the University's approach.

(2) In response to a question, the University's commitment to combatting modern slavery included its operations overseas: all University policies applied in these settings which were subject to regular visits

(3) Categorisation of risk was in accordance with guidance issued by the Higher Education Procurement Association, with high-risk categories reflecting sector and sourcing of supply.

(4) For the minority of suppliers who were not required to publish a Modern Slavery Statement (because of their size or location), [guidance](#) had been developed to help them respond appropriately to the need for supply chain transparency within their operations.

Recommended: that the Modern Slavery and Human Trafficking Statement be approved for publication. **Action: Deputy Secretary**

8. Procurement and Value for Money

Received: an annual update on procurement, expenditure controls, compliance, value for money, and purchasing risk management within the University (this formed part of the evidence base referred to in the Committee Annual Report, see 6 above).

Noted:

(1) Supplier tendering requirements could be used as means of leveraging and ensuring compliance with Modern Slavery and other social responsibility commitments, and as noted above for smaller suppliers, guidance in relation to supply chain transparency was provided.

(2) There was a high level of compliance with procurement procedures and requirements across the institution, but there was potential to simplify guidance for ease of reference and understanding. The number of retrospective purchase orders was tracked and further detail could be provided. **Action: Chief Financial Officer**

(4) The eMarketplace delivered significant benefits, through automation including electronic transmission of orders and payment of invoices and helped to ensure value for money. Ten new suppliers had been added, taking the total number of suppliers registered to 94, which was close to the optimal number.

10. Annual Report from the Health, Safety and Wellbeing Committee

Received: the annual report from the Health, Safety and Wellbeing Committee setting out current levels of assurance, including significant adverse events, relevant external inspections and audits, key performance indicators and metrics (including key trends) and progress against strategic priorities and core objectives. Relevant forthcoming regulatory changes and developments affecting the University's risk profile for 2023-24 were included.

Noted:

(1) The success of the new University GP service on campus as outlined in the report.

(2) In response to questions, neither the Employee Assistance Programme nor the staff attendance management system were impacted by the need to prioritise and rationalise demands on IT Services: the former was a standalone, bought in service, whilst the latter built on existing functionality (ResourceLink). The importance of effective communications in relation to the Employee Assistance Programme was emphasised.

(3) The completion of the Uniac audit should be reflected in the report, noting that (as set out above) the Committee would monitor implementation of recommendations

(4) Future presentation of information such as significant incidents involving student wellbeing should enable the Committee to monitor trends over time.

(5) Further information about the delayed reload of high activity sealed services at the Dalton Cumbria Facility would be provided (noting that the activity attracted a high level of scrutiny from the regulator). **Action: Director of Compliance and Risk**

(6) Project Rose covered nuclear related activity and further details (including separate governance structure) were provided in the meeting.

(7) Data about Working Days Lost reflected reported absence and there was awareness of under-reporting: it was hoped that the enhanced staff attendance management system referred to above would improve this position.

(8) The target for completion of investigations within 28 days was c95%, notwithstanding reference in the commentary to 100% completion rate.

(9) Generally, the importance of ensuring a coherent narrative to facilitate the Committee's scrutiny and assurance role.

Recommended: that the Board approve the Annual Report from the Health, Safety and Wellbeing Committee.

Action: Director of Compliance and Risk/Head of Safety Services/Head of Wellbeing

11. Academic Governance Assurance Reports

Received: In accordance with the Academic Governance Protocol agreed between the Board of Governors and Senate, the Academic Governance Assurance reports for Teaching, Learning and Students and Research: both reports had been recommended for approval by the meeting of Senate on 1 November 2023.

Reported: both reports had been recommended for approval without significant comment by Senate which reflected confidence in the detailed review and scrutiny carried out by the respective Academic Quality and Standards Committees of Senate (Teaching, Learning and Standards and Research).

Noted:

i) Learning, Teaching and Students

(1) Awarding Gap information was not finalised as, because of the Marking and Assessment Boycott, not all results had yet been reviewed by the external examiner and approved by the Examination Board: it was anticipated that this process would be completed by the end of November.

(2) Achievement of Access and Participation targets formed part of the Board Scorecard which would be considered at the forthcoming Accountability Review. The impact of recent turbulence in relation to A level entry grades on Widening

Participation grades was noted, and close attention was being paid to awarding gap trends in relation to disabled vs non-disabled and black vs white students in particular.

(3) The potential to include more information in relation to anticipated timeframes and milestones in future reports.

(4) The report did not contain information specifically relating to the Student Experience Programme (SEP), although this had been discussed at length at the most recent Senate in the context of concerns raised by some Senate members about start of academic year issues.

(5) The structural and people related element of SEP had been completed and the greater flexibility and agility it offered had already proved beneficial (for example in the Faculty of Humanities where admissions colleagues had been directed to address areas of greatest risk). Because of the impact of the cyber incident, enhancements to processes and technology had not always been fully aligned with structural change and this had resulted in some difficulties at the start of year (compounded by other factors such as the cyber incident and the Marking and Assessment Boycott (MAB)).

(6) The MAB had thrown into sharp relief the need for consistent and standard processes and current excessive localism in practice (not least in the unsustainable amount of programme pathways and options currently available).

Redacted – restricted information In this context, maintenance of the status quo represented a significant organisational risk.

ii) Research

(1) None of the indicators set out in the report gave cause for concern, although there had been focus on potential response to and mitigation of any potential future deterioration of the funding position.

(2) The slight reduction in the number of high citations reflected a global trend and the improved relative performance of institutions from Asia, for example. There was increased focus on quality (as opposed to quantity) of outputs.

(3) In the context of ongoing change programmes and the impact of, for example, the MAB and cyber incident and ongoing staff vacancy rates, it was important that academic colleagues had the time and headspace to devote to high quality research, bid for grants etc.

(4) Proposals for the REF 2028 exercise include an increased weighting (25%) for research culture (this replaced the environment element in previous exercises). Measurement of this element was still under review, although it was likely to include inter-disciplinarity (in addition to factors such as equality, diversity and inclusion, ethics, integrity, and compliance).

(5) In the above context, the recent Annual Performance Review of the Faculty of Science and Engineering had indicated that 25% of research in the faculty was produced via inter-disciplinary teams or projects.

Agreed: that both reports be recommended for approval by the Board.

Action: Deputy Secretary

12. Public Interest Disclosures

Noted: an update on the Public Interest Disclosure case reported to earlier meetings, one aspect of which remained under review.

13. Committee Forward Agenda 2022-23

Received: the updated Committee forward agenda for 2022-23

14. Dates of remaining meeting in 2023-24

Noted: the following dates for remaining meetings in 2023-24 (all 10am-12pm):

- Wednesday 31 January in person
- Wednesday 17 April virtual
- Wednesday 12 June in person