

THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE

19 September 2023 (meeting held by videoconference)

Approved

Present: Deirdre Evans (Chair)
Ann Barnes
Robin Phillips
Natasha Traynor
Alex Creswell (Advisor to the Committee)

Apologies: Trevor Rees

In attendance: Professor Dame Nancy Rothwell (President and 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
Sue Suchoparek, Uniac
Alastair Duke, PKF Littlejohn

Secretary: Mark Rollinson, Deputy Secretary

1. Declarations of interest

Noted: there were no new declarations of interest.

2. Terms of Reference and Membership

Received: current terms of reference and membership.

Noted:

(1) Clause C.1 of the Terms of Reference referred to “agreement of and performance against relevant KPIs” for both the internal and external auditors. For external auditors, the principal performance indicator was delivery of the audit in time to enable consideration of Financial Statements by the Board at its November meeting (including necessary intermediate governance approvals). There were extant KPIs for the internal auditors and it was suggested that these be reviewed to ensure relevance and currency.

(2) Noting Section f) regarding Whistleblowing, in approving the most recent iteration of the relevant Policy and Procedure, the Committee had noted scope for further improvement in relation to language and tone and had asked that this be considered as part of the next scheduled review (deadline February 2024).

(3) Section g) concerning Value for Money was relatively brief and there was scope for expansion and greater specificity.

Agreed: subject to review as outlined above to confirm the Committee’s Terms of Reference for 2023-24.

Action: Deputy Secretary

3. Minutes

Resolved: that the minutes of the meeting held on 27 June 2023 be approved, subject to resolution of an apparent discrepancy between clauses 6(4) and 6(5).

(Secretary's note: after consultation with the Chair, the minute was amended as below-amendments in bold:)

“(4) The lack of two factor authentication for the [REDACTED] **Redacted – restricted information** was being addressed: this matter **was had been assessed as** relatively low risk and other control measures were in place.

(5) **Notwithstanding the assessment referred to in (4) above**, the comment from the Advisor to the Committee, that increased prevalence of Large Language Artificial Intelligence Models increased the risk of unauthorised access to potentially harmful materials.” **Action: Deputy Secretary**

4. Matters arising and action tracker

Received: the action tracker setting out progress against matters arising from earlier meetings: this included for information, an update on Major Projects for the meeting of Finance Committee on 25 September 2023.

Noted:

(1) The need to avoid duplicate reporting wherever possible, noting the respective roles of Audit and Risk Committee (focus on assurance and risks to delivery of the strategy), Finance Committee (focus on delivery of specific projects and expenditure) and the Board (overall oversight role). In this context attention would be given to the nature of the update to the October Board, whilst minimising impact on overall reporting burden. **Action: RSCOO/Director of Planning**

(2) For Audit and Risk Committee, and notwithstanding ongoing reassessment and recalibration of projects in the wake of the cyber-attack (as outlined in 3 below), there was a need for a more coherent narrative to understand relative priorities.

(3) The report noted that, as previously reported to the Board, some projects were paused in the weeks immediately following the cyber-attack, and it was not yet possible to confirm which of these would be permanently stopped and which would come back into the portfolio. In the context of the cyber-attack, some new requirements were emerging, and assessment was underway to understand the pathway for delivery (i.e. within the portfolio or via business as usual). Part of this assessment was consideration of potential impacts on other projects and existing priorities.

(4) There had been significant acceleration of some IT related activity in the wake of the cyber-attack and there were potential lessons learned in relation to the pace of delivery more generally. The Advisor to the Committee complimented the measured and strategic approach taken to engagement with external advisors in relation to the cyber-attack.

5. Cyber incident

Received: a further update on the cyber-incident, setting out developments since the Board meeting in July 2023.

Reported:

(1) The Virtual Private Network (remote, off-campus access to internal networks from the public internet for colleagues and postgraduate research students with managed devices) had now been restored and a combination of restoration and transformation activity continued. Without compromising core business, activity to strengthen security and improve practice had continued over the summer.

(2) A planned further strategic appointment would further increase resilience.

(3) As previously advised, the root cause of the incident was a phishing attack.

(4) The Advisor to the Committee commended the University's approach to engaging with and responding to the Threat Actor.

(5) Lessons learned outcomes would be reported in due course through Audit and Risk Committee to the Board. Whilst the immediate threat had been contained and eradicated, significant recovery work continued, with staff involved working extremely hard to resolve. There was awareness of the importance of ensuring wellbeing, with staff encouraged to take a break over the summer.

(6) The University had taken a constructive approach to engagement with partners and as an example, JISC was keen for the University to share its experience through a roadshow. The potential for a fine from the ICO was recognised but it was hoped that the University's open and transparent approach would mitigate this.

(7) Whilst the open and collaborative nature of universities made them vulnerable to cyber-attack, it was hoped that the robust and coordinated nature of the University's response would act as a deterrent to any future Threat Actors.

Agreed: that the Committee's appreciation of the hard work carried out by leaders and teams in IT Services, Compliance and Risk, Legal Services and other teams most significantly impacted be placed on record. **Action: Deputy Secretary**

6. 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, progress against the agreed plan (including reviews outstanding to be presented to the November meeting) and a sector briefing note on Data Futures.

(a) Higher Education Statistics Agency (HESA): Staff Return**Reported:**

(1) The review had been carried out as part of the annual process of testing the process for statutory data returns.

(2) The audit found the systems and processes for compiling and submitting key staff HESA data to be effective and whilst it did identify some data quality issues with the return, these were not considered to be significant in terms of both impact and frequency. The Uniac reviewer who had completed the review had HESA experience and was satisfied that HESA would be content with the limited nature and level of non-compliance identified in the report. The full report did include timescales for completion of recommended improvements.

(3) Consequently, the review provided reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency.

(b) IT Asset Management

Reported:

(1) The purpose of the review was to assess the IT asset management process for locally managed IT assets against a number of key control areas to ensure assets and the data they process were recorded and controlled.

(2) Work on the review had commenced before the cyber-attack, but no responses to questionnaires issued had been received from IT Services before the incident. To enable full IT Services focus on the incident and to avoid a lengthy delay in progressing the review, Uniac had provided an interim update based on analysis of responses received to date.

(3) Four themes had arisen thus far, recording of assets, encryption of devices, information asset registers and patching of systems and a meeting with the Director of IT Services and senior team had been arranged to discuss findings and explore further input, including potential focus during 2023-24. Information Governance would also be addressed as part of the 2023-24 plan.

(c) Follow up Exercise

Reported:

(1) For the most recent review of progress covering January to August 2023, Uniac had provided a substantial assurance rating.

(2) Excluding actions related to IT and Information Governance audits, where there were legitimate reasons for delay because of the response to the cyber incident, only 6% of 167 actions (10 in total) were overdue (17% or 28 overall).

(3) Of the 167 actions, 70 had been implemented (42%), 5 were in progress (3%), 32 had revised due dates (19%) and 32 were not due at the time of reporting (19%).

Noted:

(1) In response to a question, there was a robust approach to considering requests for revisions to due dates for action, based on interaction with key contacts and the relative criticality of the action: only one extension of due dates was permitted.

(2) Preparation for the first Data Futures submission (which was covered in a briefing note) had been a substantial programme of work for the Planning Directorate and submission by the required deadline was on track despite the hindrance of the cyber-incident. The 2023-24 audit programme contained a review of Data Futures and this would include consideration of the longer term sustainability of the initial approach to deliver the first submission.

(3) The Committee's appreciation of collective effort to ensure agreed actions were followed-up and implemented.

(ii) Draft Internal Audit Programme 2023-24

Received: the draft internal audit plan for 2023-24 which incorporated changes and suggestions made by the Committee at its previous meeting.

Noted:

(1) In relation to assurance of prevention of Modern Slavery, actions had been agreed following the recent review and this included oversight and leadership. This would be monitored via the follow-up tracker and the Modern Slavery Statement would be submitted to the next meeting of the Committee in November.

(2) Greater specificity in relation to planned reviews in Q3 and Q4 would be included in the mid-year review to the Committee.

(3) Noting the “Beyond the Sector” analysis, the potential to consider supply chain and outsourcing as a subject for review.

Agreed: to approve the internal audit programme for 2023-24

Action: Uniac

(iii) Draft Internal Audit Annual Report 2022-23

Received: the draft internal audit report for 2022-23 which summarised internal audit activity and offered a commentary based upon the Office for Students (OfS) ongoing conditions of registration and the topics that would typically be addressed in a statement of internal control (aligned with the Committee of University Chairs HE Audit Committee Code of Practice).

Reported:

(1) The report concluded, based on relevant audit work that risk management, governance, value for money and internal control arrangements were adequate and effective.

(2) The report referenced those reviews where development and improvement were required.

(3) The cyber incident was referenced under the Safeguarding of Assets section which noted the University’s swift and comprehensive response and approach.

(4) The appendices included current Key Performance Indicators, noting earlier comments about the potential to review and sharpen these.

(5) A final version of the report would be presented to the November meeting of the Committee, incorporating any comments or suggestions from members, either at or after the meeting.

Action: Uniac

Noted:

(1) Aligning the report to the OfS Registration Conditions was clear and helpful.

(2) The Committee’s thanks for the clarity and breadth of the report.

(iv) Internal Investigatory Work

Received: a summary of internal work undertaken in relation to suspected frauds and irregularities since last reported in July 2023.

Reported:

[REDACTED]

7. External audit

(i) Update from PKF Littlejohn

Received: a verbal report from PKF Littlejohn advising that they were on course for timely delivery of the audit, ensuring consideration by the Committee and Board at scheduled meetings in November.

Noted: more judgmental aspects of the review were scheduled imminently along with work on IT controls.

(ii) Annual Reporting: draft content for inclusion in the 2023 Financial Statements

Received: for comment by the Committee, draft narrative content for the Financial Statements (Corporate Governance Statement and Public Benefit Content)

Agreed:

(1) The text relating to the University's withdrawal from the Public Contracts Regulations (as it no longer meets the criteria of a "body governed by public law") be amended so that it notes that this was the current position but was subject to potential future change.

(2) The Statement of Internal Control be amended to include reference to Committee and Board oversight and assurance in relation to Health, Safety and Wellbeing

(3) Also in the Statement of Internal Control, the reference to reformatting the Risk Register should include the Committee's greater consideration of and reflection on risk appetite.

(4) With the above amendments to approve the Corporate Governance Statement.

(5) To approve the Public Benefit Content.

Action: Deputy Secretary

(iii) Turing Scheme Project Audit

Received: a report setting out a request to the Committee for the University's external auditors, PKF Littlejohn, to undertake a specific additional audit certification in relation to the Turing Scheme (the successor to Erasmus)

Agreed: to approve this request for PKF Littlejohn to undertake the Turing Scheme audit for the year ended 31 July 2023 and out to and including the year ending 31 July 2025, the duration of the current term of PKF Littlejohn's audit appointment.

Action: Deputy Director of Finance

9. Compliance with Transparent Approach to Costing (TRAC) requirements 2022-3

Received: a report providing an overview of the University's compliance with the TRAC guidance (as stipulated by the OfS) and also an update on the points raised by Uniac following their triennial review of the University's TRAC process and reporting.

Reported:

(1) Some additional risks concerning IT systems and processes, which if un-mitigated had the potential to cause delays in the current (2023-24) TRAC cycle.

(2) The report outlined satisfaction that these risks were being actively managed and would not result in non-compliance: an action plan outlining mitigation of risks was appended to the report.

(3) TRAC guidance required a committee of the governing body to be responsible for ensuring that the process used to produce the TRAC return complied with published TRAC requirements. Discussion about whether this was best routed through Finance Committee or Audit and Risk Committee was ongoing (noting the need to avoid dual reporting if possible): if the former, there was potential for Finance Committee to assure Audit and Risk Committee that the process had been followed appropriately.

Agreed: to confirm the University's compliance with the TRAC guidance as part of the TRAC process for compilation of the annual TRAC return.

Action: Deputy Director of Finance

9. Health, Safety and Wellbeing Quarter Three report

Received: the Health, Safety and Wellbeing Quarter Three Performance Monitoring report (1 February 2023 to 30 April 2023)

Noted:

(1) The lag in quarterly reporting to the Committee was the result of intermediate governance approval steps.

(2) For numbers of significant mental health incidents requiring crisis intervention, the indicator showed an overall steady position: numbers in this category were extremely small (there had been a quarterly increase from 14 to 21 cases, but this represented a fraction of the community)., The Committee suggested that this be made more explicit in future presentations (Indicator WB Lag 3).

(3) In relation to sickness absence it would be helpful for future reports to provide a distinction between long-term and short-term sickness absence (Indicator HR Lag 1).

Action: Head of Wellbeing

10. Office for Students Registration Conditions: Assurance Map

Received: a map setting out how the University complied with the OfS Ongoing Conditions of Registration.

Reported:

(1) The map would be updated on a regular basis when there were changes in responsibilities or activity which delivered against the ongoing conditions of registration.

(2) OfS did not require submission of the assurance map, although if requested it would part of an evidence base of compliance (although the existence of the map was not a substitute for evidence of actual compliance).

Noted:

(1) The House of Lords Industry and Regulators Committee had produced a [critical report](#) on the Office for Students.

(2) Regulatory risk was included as a residual risk on the Risk Register and the OfS Assurance Map could be referenced in the next iteration of the Register. It was important that the next and future iterations of the Risk Register reflected a dynamic, evolving risk environment.

11. Royal Society Research Grant Audit

Received: a report providing an overview of the Royal Society Audit, which had given the University an overall rating of Medium.

12. Public Interest Disclosure

Noted: a brief verbal update on a recent Public Interest Disclosure case.

13. Committee Forward Agenda 2023-24

Received: the latest Committee forward agenda for 2023-24

14. Any other business

i) Reinforced Autoclaved Aerated Concrete (RAAC)

Reported: a note would be circulated to the Board shortly, but at present there was no evidence of RAAC on campus.

15. Remaining meetings in 2022-23

Noted: the dates of the remaining meetings in 2023-24:

Wednesday 8 November (plus joint meeting with Finance Committee at 1pm) 2-30pm to 4-30pm, with pre meeting at 12.30-1pm, pre-meeting with auditors and without officers 2-2.30pm) virtual

Wednesday 31 January 10am-12pm in person

Wednesday 17 April 10am-12pm virtual

Wednesday 12 June 10am-12pm in person