

THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE

12 June 2024

Unconfirmed

- Present:* Deirdre Evans (Chair)
Ann Barnes
Robin Phillips
- Apologies:* Tony Raven
Trevor Rees
Natasha Traynor
Alex Creswell, Advisor to the Committee
- In attendance:* Prof Dame Nancy Rothwell, President and Vice-Chancellor (until item 6 ii)
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
Carmine Papa, PKF Littlejohn
Matt Atkin, Director of Planning (items 1-5)
Prof Nalin Thakkar, Vice-President, Social Responsibility (item 8)
- 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 17 April 2024 be approved.

3. **Matters arising and action tracker**

Received: the action tracker setting out progress against matters arising from earlier meetings. This included an update on Reinforced Autoclaved Aerated Concrete (RAAC) on campus.

Noted:

Redacted – restricted information

Action: RSCOO, Director of Estates and Facilities

4. Risks in Five-Year Plan and Risk Appetite

Received: a report summarising the risks identified in the University's five-year plan to be presented to the Board in July

Reported:

(1) The risk appetite framework will be developed alongside the strategic review with the incoming President and Vice-Chancellor.

(2) The report summarised the risks in the plan as below (and also set out measures to manage each risk):

- The limited cash generating capacity of the plan restricting ability to invest.
- Planned [REDACTED] **Redacted – restricted information** tuition fee growth in volatile markets.
- International student mix/ concentration risk.
- Uncertainties associated with Research growth.
- Inflation and cost increase.
- Affordability and risk of borrowing.

Noted:

(1) As discussed at the recent Board Strategy Day, compared to the wider sector, the University was in a strong position, with good liquidity but there was no room for complacency. To remain in the global elite, the University needed further investment to support staff, students and its academic mission, to enhance its infrastructure and facilities and to meet its zero carbon targets.

(2) The Budget and Five-Year Plan would be presented to Finance Committee and the Board of Governors in July (along with risk analysis and scenario planning) after management review and scrutiny.

(3) 10-year projections showed [REDACTED] of available investment going into maintaining the estate (with relatively little new build) and [REDACTED] into IT/ process related change (although in the first half of the 10-year plan, estate spend was closer to [REDACTED]). Planned cyber related expenditure had been accelerated following the cyber incident and focus was now on operationalisation to realise the benefits on investment.
Redacted – restricted information

(4) The appointment of a new Chief Property Officer and a planned infrastructure review would provide opportunity for reflection on the level and nature of investment in the estate, reflecting changes in pedagogy and working practice. Experience from the previous Estates masterplan showed potential for external funding to supplement planned University expenditure (although relative lack of new build might constrain this in the next iteration).

(5) The 2038 Zero Carbon target was factored into all projects and compared to the sector, the University's planning was relatively mature in this area.

(6)

[REDACTED]
Redacted – restricted information

(7) The timetable for development of a risk appetite framework should align with the review of strategy which will be led by the incoming President and Vice-Chancellor, which would take place in 2024-25. A draft risk appetite framework could be developed in the early part of the academic year and Committee input will be most

valuable once the Executive have had an initial opportunity to review: the requested workshop session was therefore most likely to take place towards the end of Semester 1.

Action: Chief Financial Officer, Director of Compliance and Risk and Director of Planning

5. Strategic Change Portfolio Overview Report

Received: a report providing an update on portfolio size and shape, a forward view of the portfolio, portfolio risks and issues impacting delivery and current and impending audit activity.

Reported:

(1) The report referenced increased focus on ensuring optimal start of year experience for students, including simplification and prioritisation of projects

(2) A significant reduction in the overall number of projects and programmes in the Portfolio (provisional list of 23 planned for 2024-25): whilst there was potential scope to add, any such proposals would be assessed critically and discerningly to avoid capacity and workload issues.

Noted:

(1) Local continuous improvement initiatives to improve agility ran alongside the Portfolio, and there was a judgement to make about the tipping point when an initiative became sufficiently cross-cutting to require inclusion in the Portfolio. An example was the ongoing work on rationalising the curriculum in the Faculty of Humanities, where this was a live debate.

(2) Internal reorganisation and reclassification of the Portfolio would not impact or detract from Board and Board committee level scrutiny of the Portfolio. An example was the Student Experience Programme Board approving the transition from a programme to a series of individual projects delivered against a roadmap, overseen by the Teaching and Learning Strategy Group (TLSG). The role of TLSG would enable strategic management overview of projects to continue, facilitating Board and committee level scrutiny and oversight.

(3) The engagement of consultants to support the portfolio-shaping exercise was light touch (measured in days) and sat alongside current and planned and future Uniac reviews.

6. Internal Audit and Internal Control

(i) Uniac Progress Report

Received: the latest Uniac internal audit progress report, which contained a summary of finalised reports since the previous meeting, an update on progress against the agreed plan and briefing notes on Risk Management and the Modern Slavery Act.

(a) UK Visas and Immigration (UKVI) Compliance

Reported:

(1) Uniac had previously reviewed the attendance system providing a grading of Limited Assurance.

(2) The University was investing in a new attendance system (SEAtS), to be implemented for the 2024-25 academic year. Whilst Uniac had already provided a grading on the interim system, the audit took the form of a mock UKVI review to help identify any areas that may be subject to further scrutiny by UKVI, in the event of such a visit (the audit was requested by the University as part of the annual internal audit planning round). The focus from this review was more on the implementation of this system, which the earlier review did not include.

(3) In addition to eight Moderate Risk findings, the report included two high risk findings in relation to attendance monitoring, including the process for measuring engagement and escalation, and ensuring provision of relevant documentation before student commencement on programme. On both cases management action to address the issue was contained in the report, with the attendance monitoring issue being resolved via the new SEAtS system.

(4) The review concluded that there were significant opportunities for improvement in relation to both effectiveness of design and effectiveness of implementation.

Noted:

(1) Delivery of the SEAtS system was on schedule for implementation in time for the 2024-25 academic year, but there were some risks, principally relating to ensuring that enhancements to relevant business processes were effected in time. The SEAtS system enabled much wider benefits than ensuring UKVI compliance, facilitating proactive intervention to address student non-engagement. If necessary, elements of the system confirming UKVI compliance would be prioritised in the immediate term.

(2) Noting the negative reputational impact from a sub-optimal launch, a “Go/No Go” decision would be made later in the summer, with a contingency of running with the interim solution (potentially with enhanced staffing levels). **Action: RSCOO**

(b) Commercial, Research and Project Income-Debtors

Reported:

(1) The audit sought to provide independent assurance on the processes and related controls for invoicing and debt collection for commercial, research and project income. The audit also considered the efficiency and economy of the risk management processes that support the collection of these income sources. This audit did not cover other income from conferences, events, catering and retail due to the lower levels of income these areas generate and since certain aspects have been covered by other internal audit reviews, e.g. the EPOS system review in 2020/21.

(2) The review provided reasonable assurance in relation to effectiveness of design, effectiveness of implementation and economy and efficiency. The report included five moderate and two low-risk findings.

Noted:

(1) The level of debt control queries indicated in the report was within expected norms, noting the complexity of research projects, a significant proportion of which related to the European Commission which required completion of lengthy and detailed processes before authorising payments

(2) Staff in the Research Finance and Credit Control teams were working well together, noting that the majority of staff in the Research Finance team were relatively new.

(g) Update against 2023-24 Plan

Reported: as previously agreed, terms of reference for International Agents and Grievance Outcomes Implementation reviews were being drafted and would replace planned reviews of Workforce Planning and International Partnerships (Uniac would return to sponsors in 2024-25 to assess revised timescales for these reviews).

Noted:

(1) As advised at the previous meeting, the University's approach to appointing International Agents exceeded the requirements of the UK Agent Quality Framework.

(2) Days would be allocated to the Zero Carbon review shortly, following finalisation of terms of reference after recent discussion with the Vice-President for Social Responsibility.

(3) Uniac had previously provided an update on approaches to risk management and the Committee encouraged reflection on this to inform the University's approach.

Action: Director of Compliance and Risk

(ii) Approach to the development of the 2024-25 internal audit programme

Received: the draft internal audit plan for 2024-25 which included reviews directly linked to the Risk Register and operational and compliance related reviews.

Noted:

(1) The proposed Procure to Pay review would cover compliance with the Modern Slavery Act.

(2) Proposed People and Organisational Development reviews had been internally verified as addressing important priority areas (a Payroll audit was also planned as part of review of core financial processes).

(3) The further review of cyber security compliance would be scheduled for the second half of 2024-25 and would provide further assurance to the Committee and the Board alongside ongoing internal activity.

(4) Discussion about the proposed review of culture, noting external expectation (including in the CUC Audit Committee Code of Practice) that this should be considered by Audit Committees. There were external guidelines (eg from the Institute of Internal Auditors) to facilitate this type of review. There were alternative approaches, for example assessing culture and compliance as a thematic element of all reviews.

(5) School audits cover compliance with the University's Financial Regulations and Procedures through an assessment of the related processes, systems and controls in place and detailed testing of transactions. Two such audits were scheduled per year, ensuring a consistent rhythm of reviews in each Faculty.

(6) Consideration would be given to potential reviews covering the Prevent Duty and Mobile/Bring Your Own Device practice, noting that there were both areas with a risk assessment score of 6 and above which had not been subject to a recent review.

Agreed: Uniac and the RSCOO will reflect on the above comments and discussion and bring a final draft version of the programme to the September 2024 meeting for approval.

(iii) Internal Investigatory Work

Noted: there was no current internal investigatory work to report.

7. External Audit

(i) Report from PKF Littlejohn on the approach to audit of the 2023-24 Financial Statements.

Reported:

(1) The report covered overall audit strategy (process, approach and level of materiality), significant audit risks and key audit matters (including revenue recognition and valuation of defined benefit pension scheme liabilities) and timetable as well as providing confirmation of quality and independence and the level of fees.

(2) Other risks to be assessed included Going Concern (noting sector concerns, no issues were anticipated at the University, and the review would consider the renegotiation of the Revolving Credit Facility) and Related Party Transactions.

(3) Following a review of PKF Littlejohn by the Financial Reporting Council (FRC), the FRC had advised that the firm had a large number of Responsible Individuals on the register to sign off on Public Interest Entity audits. Following internal review, PKF's Professional Standards Committee had decided to remove Alastair Duke from the register and this change would be effective at the time when the accounts would be signed off. As a result, another partner, Carmine Papa, will be signing as responsible individual, providing additional scrutiny and assurance to Alastair Duke's work (e.g. attending planning and closing meetings).

Agreed: to confirm the approach to the 2023-24 audit.

(ii) Responses to Audit Management Letter

Received: an update on the management responses to the deficiencies in internal control identified by the University external auditors (PKF) as part of their Audit Findings Report for the financial year ended 31st July 2023.

Reported:

(1) The PKF report contained two findings, both classed as a 'deficiency' (bank reconciliation processes and the University of Manchester Car Parks Limited financial reporting system: the bank reconciliation finding was also noted in the recent Uniac treasury management internal audit report). Both findings had been addressed.

(2) PKF had also raised five 'medium-rated' control deficiencies as part of the annual IT systems audit, and these had either been addressed or were in progress.

Noted:

[Redacted]

[Redacted]

Redacted – restricted information

(iii) Statement of Principal Accounting Policies

Received: the draft Statement of Accounting Policies which was largely unchanged from the accounting policies finalised for the year ended 31 July 2023.

Reported:

(1) Notable changes were:

- To update the critical estimates and judgements section to align with reporting best practice.
- To reflect the change in the capitalisation threshold to £100,000

(2) In addition, the sections on Going Concern and Significant Estimates and Judgements would need to be further updated post year end to reflect the actual position at 31 July 2024.

Noted: the Committee's suggestion that the section on Recoverability of Debtors be reviewed to ensure wording was optimal. **Action: Director of Financial Services**

Agreed: to approve the Statement subject to the post year end work in relation to going concern and the assessment of significant estimates and judgements.

8. Research Compliance Committee

Received: the annual report from the Research Compliance Committee (RCC), which sets standards and ensures that the University meets its obligations to comply with the statutory, regulatory and policy requirements within its scope.

Reported:

(1) The report summarised the levels of assurance for each area of compliance, outcomes of internal and external audits and any adverse events. All external audits had received positive outcomes, with no serious adverse events in the current academic year.

(2) The nature of clinical trials and research involving animals was such that adverse events were unavoidable. Chemical Compliance was ranked as amber because of three types of adverse events that took place in 2023-24 (management actions in response, including corrective or mitigating activity was outlined in the report).

Noted:


Redacted – restricted information

(2) Investigations into alleged research misconduct involved an initial assessment by the Vice-President with responsibility for Research Ethics (which was subject to appeal). Cases where there was a prima face case for review proceeded to a full investigation.

(3) An independent audit of regulatory responsibilities linked to clinical trials had been planned as a priority for the current year and was imminent (noting length of time since inspection).

(4) In research terms, paper mills were businesses that publish poor or fake journal papers that seem to resemble genuine research, as well as selling authorship.

Agreed: to note the report and include the summary in its report from the Committee to the July Board of Governors. **Action: Deputy Secretary**

9. Health, Safety and Wellbeing Quarter 2 report

Received: the Health, Safety and Wellbeing (HSW) Quarter 2 report, covering the period November 2023-January 2024, following review by Planning and Resources Committee.

Reported:

(1) Areas of current focus included: development of a more effective and dynamic Learning Management System, work to complete outstanding actions from the recent Uniac review, ensuring clarity and consistency in specialist job roles (this included ensuring appropriate levels of resource, including training), and initiation of Fire Safety Task and Finish Groups to ensure understanding of and compliance with new fire safety regulations.

(2) Good outcomes from recent Office for Nuclear Regulation reviews.

(3) Management action in response to a recent incident at the Museum (falling ceiling tile, which had not resulted in injury).

Noted:

(1) The potential for an internal audit on sickness absence reporting, exploring financial implications and compliance and cultural issues at local level. Uniac was asked to consider this during review of options as noted in 6 ii) above.

Action: Uniac

(2) The potential to involve Board faculty pairs to ensure understanding of health and safety practice at local level, as part of preparation for the annual Accountability Review.

10. Fraud Response Plan

Received: an updated Fraud Response Plan (last reviewed in 2022, and thus due for biennial review) and relevant data collected following a British Universities Finance Directors Group (BUFDG) fraud survey.

Noted:

(1) Guidance on the implications of the Economic Crime and Corporate Transparency Act were awaited.

(2) Cross-referencing to the updated Whistleblowing Policy would be a helpful addition to the Plan. (Secretary's note: the updated Whistleblowing Policy was circulated to the Committee for comment after the meeting, having recently been recommended for approval by Planning and Resources Committee,)

Agreed: to approve the Plan, subject to addition of appropriate cross-referencing to the Whistleblowing Policy. **Action: Director of Financial Services**

11. Grant and Funders Audit-Summary

Noted: summary of the grant and funder audits completed in the period since this was last reviewed in June 2023.

12. Public Interest Disclosures

Noted: an update on the Public Interest Disclosure case reported to earlier meetings. The health and safety audit previously reported to the Committee, following alleged breaches of agreed practice (audit carried out by the Estates and Facilities Safety Team) had now been completed, and the summary report contained eight recommendations (either moderate or low risk or advisory) with timescales for management action.

13. Committee Forward Agenda 2024-25

Received: the Committee forward agenda for 2024-25.

14. Dates of meetings in 2024-25

- Wednesday 18 September 2024 (11am-1pm): In person
- Wednesday 6 November 2024 (2.30-4.30pm): preceded by joint meeting with Finance Committee (1-2pm) Online
- Wednesday 29 January 2025 (11am-1pm) In person
- Wednesday 16 April 2025 (11am-1pm) Online
- Wednesday 11 June 2025 (11am-1pm) In person