

THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE

18 September 2024

Unconfirmed

- Present:* Deirdre Evans (Chair)
Ann Barnes
Robin Phillips
Tony Raven
Trevor Rees
Natasha Traynor (by video conference)
- Apologies:* Alex Creswell, Advisor to the Committee
- In attendance:* Prof Duncan Ivison, 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 (by video conference)
Richard Young, Uniac
Sue Suchoparek, Uniac
Alastair Duke, PKF Littlejohn
PJ Hemmaway, Chief Information Officer (items 5 and 6)
- 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) Given the scope and purpose of the Committee, discussion about the Committee's focus on subsidiaries and satellite entities.

(2) The Committee received reports summarising active subsidiaries, their risk assessment and subsidiary results impact on accounts (*Secretary's note, most recently in January 2024*) and Finance Committee also received a summary of financial results and key activities.

(3) The importance of assessing risk relating to subsidiaries as part of overall risk assessment and discussion around risk appetite in the context of the strategy refresh.

Agreed: to approve the terms of reference subject to the amendment below (in italics):

"...The University's status as a Public Institute Entity (PIE) precludes provision of any *non-permitted* non-audit services."

Action: Deputy Secretary

3. Minutes

Resolved: that the minutes of the meeting held on 12 June 2024 be approved.

4. Matters arising and action tracker

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

Noted:

(1) The rollout of the SEAtS system was going well and on schedule.

(2) A progress report on the University's response to the Uniac audit on institutional change (including in relation to the Finance Transformation Programme) will be included in the Matters Arising Report to the next meeting in November.

Action: Chief Financial Officer/Deputy Secretary

5. Strategic Risk Register

Received:

(1) The latest, June 2024 iteration of the Strategic Risk Register, following review by risk managers and owners.

(2) The report outlined risks which had decreased in likelihood, changes to risk (both description and score) and changes to risk target score.

Reported:

(1). After internal review and discussion, given the ongoing hostile external environment, and notwithstanding successful ongoing efforts to reduce and mitigate impact, the cyber risk score remained unchanged.

(2) External events meant that the geopolitical risk score had increased.

(3) An additional risk had been added, relating to Artificial Intelligence (AI): this was framed in the context of the University failing to realise the opportunities arising from the AI revolution.

Noted:

(1) Discussion about the potential to make the register more dynamic (noting that risk scores were largely static) and the potential for alternative presentation methods. This included making the Register more digestible and accessible for the Board, noting that the Committee would need to retain oversight of the level of detail in the current report. Both the Chair and the President and Vice-Chancellor were happy to provide insight into practice experienced elsewhere, and the Director of Compliance and Risk advised that this was timely given ongoing liaison with colleagues in IT about enhancements to current compilation methods,

Action: Director of Compliance and Risk

(2) The imminent review of strategy and planned discussion of risk appetite would impact on future iterations of the Risk Register.

(3) Re the AI context, this should reflect both opportunities and risks, noting that many of the recommendations in the recent report to the Board were currently unfunded.

(4) In relation to cyber risk, the current focus was on implementing and operationalising enhancements, achieving value for money (for example through improved monitoring and use of quantitative data, and optimising relationships with partners). There was a continued need to focus on staff training and awareness, noting that user behaviour and activity would always be a significant vulnerability: in this context, there was ongoing discussion about the distinct and complementary roles of IT and Information Governance Office colleagues.

(5) There was appropriate remuneration and reward for skilled, scarce staff, using market supplements where appropriate.

6. Update on cyber risk

Received: as an adjunct to the Strategic Risk report, a report providing an update on cyber risk, following the recent departure of the Chief Information Security Officer (CISO).

Reported: whilst the optimal future model for the CISO was reviewed and assessed, external support from a security partner (Waterstons) had been arranged (until January 2025). Waterstons had also been commissioned to carry out two further pieces of work (IT Security-Services Review and IT Security and Information Governance Office model)

Noted:

(1) The importance of consolidating recent cyber security enhancements and not reverting to previous sub-optimal ways of working.

(2) Increasingly onerous cyber security requirements for external grants and awards

(3) Sector wide, nationally and internationally, the growth in research into defence would only increase the requirement for robust cyber security.

7. 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.

(a) Export Control

Reported:

(1) During 2022-23, Uniac undertook an audit of export controls in one school. The audit raised a number of findings and as a result, it was agreed this be followed up with a University-wide review of Export Control compliance.

(2) The report provided reasonable assurance that the governance, support and adherence to relevant policies in relation to Export Controls compliance was robust, efficient and effective. The report noted that in aspects of its work, the University was sector leading and ahead of other similar universities, for example given its involvement in several national initiatives and support for other institutions in this complex and technical area (this included recently developed export control training).

(3) The report included six moderate risk findings, including raising broader institutional awareness outside the Faculty of Science and Engineering (FSE) and processes in relation to international visitor applications.

Noted: (in response to questions)

(1) The Head of Research Security and Compliance and the Directorate of Research and Business Engagement oversaw the University's compliance with the requirements of the National Security and Investment Act (which had not formed part of the Uniac review).

(2) Whilst export control activity had historically focused on FSE, there was now increased focus on bio-related work within the Faculty of Biology, Medicine and Health.

(3) US export control regulations were complex, and the Head of Research Security and Compliance visited the USA annually for relevant training: Manchester was the only University to do this and its expertise in this area surpassed peers.

(4) The export control risk formed part of Risk 2.1 on the Risk Register: Regulatory and Reputational Risks from International Partnerships.

(b) School Review-Biological Sciences

Reported:

(1) This audit was part of the regular cycle of School Reviews (and the last in the current cycle).

(2) The report provided reasonable assurance in relation to the School's compliance with the University's Financial Regulations and Procedures based on Uniac's audit work and testing performed. Overall, the report found financial controls to be consistent across the School and found good compliance in most areas.

(3) The report contained four moderate risk findings, some of which were common to other School reviews (including raising of purchase orders after the invoice date). The situation in relation to payments to Graduate Teaching Assistants had improved, but further work remained to be done and there was scope to use Job Train (the University's applicant tracking system) to improve the NHS Trust salary recharge process.

Noted: in relation to raising of purchase orders after the invoice date, the importance of consequences in the event of persistent failure to comply.

Agreed: that management provide an update on the position relating to purchase orders raised after invoice date across the University to a future meeting.

Action: RSCOO/Chief Financial Officer

(c) Cyber Security Incident Management

Reported:

(1) Noting earlier discussion on cyber risk, the audit assessed the design of the emerging cyber incident management framework (people, process and technology) against good practice frameworks. As part of the audit, Uniac also assessed the cyber incident response approach to the recent major incident, the lessons being learned and how these are informing improvements in the updated approach.

(2) The report provided reasonable assurance, covering both the approach and effectiveness of the response to the major security incident in June 2023, and advice on the maturity of cyber incident management capabilities.

(d) Institutional Strategic Change

Reported:

(1) The purpose of the audit was to provide independent assurance of the effectiveness of the University's institutional strategic change framework, considering methodology, governance and management of programme and project delivery. It also examined the efficiency and economy of related systems, processes and controls.

(2) The report noted the establishment of the Strategic Change Office (SCO) function as part of the Directorate of Planning in 2019. The SCO was designed to bring together oversight of the University's strategic change initiatives and to strengthen its approach to change delivery across the institution. Most strategic initiatives have since been monitored through the Strategic Change Sub-Committee, which oversees the delivery of the Strategic Change Portfolio. The University had recently started to develop and mature its approach to the delivery of its change portfolio, building on the work of the SCO thus far.

(3) Overall, the report found reasonable assurance that the University's delivery of its institutional strategic change programme is operating effectively and that there was sufficient oversight of major programmes and projects, in line with sector norms.

(4) The report did not identify any areas of high risk but did include several findings to help further improve the University's management and oversight of strategic change, including governance streamlining, clarity of roles and responsibilities and clarity of SCO purpose.

Noted:

(1) The importance of clarifying and confirming the point at which projects and initiatives moved from local, business as usual activity into the purview of the SCO.

(2) The importance of clear and effective communication with the wider University community about progress and achievements of the change portfolio.

(3) Management intention to improve the connection between strategic intent and resource allocation.

Action: Executive Director of Planning and Director of Strategic Change Office (to be advised)

(e) Treasury Management (full follow-up)

Reported:

(1) An earlier audit of Treasury Management had found significant opportunities for improvement and as a result, a full follow-up review had been carried out.

(2) The follow-up review provided a grading of reasonable assurance which reflected the progress made in developing the control environment around treasury management since the last review.

(3) The one moderate risk finding related to instances of procurement card and frequent traveller credit card users not coding and receipting purchases on a timely basis, and management action was in hand to address this (and at least one user had seen their card access removed for failure to comply).

(f) Estates Campus Master Plan process

Reported:

(1) This audit was requested by the Estates and Facilities Directorate to provide assurance that, from an institutional strategic perspective, the Campus Master Plan delivered to expectations and that lessons learned, and best practice had and would continue to inform projects and future planning.

(2) The report concluded with substantial assurance on the processes for developing a Campus Master Plan and the delivery of the constituent Capital Projects, with only three low risk findings.

(g) Carriage of Dangerous Goods

Reported:

(1) The University was in the process of developing a policy framework for the carriage of Dangerous Goods and the audit sought to provide a sense check of progress and help inform the areas of focus required to embed the framework. The audit also reviewed whether robust records were maintained by trained packagers in the University and that Dangerous Goods Safety Advisers, trained packaging advisers and dangerous goods drivers had appropriate training and certification.

(2) The report provided reasonable assurance on the University's plans and arrangements for the management of risk associated with the Carriage of Dangerous Goods, with five moderate risk findings including clarity around roles and responsibilities and provision of training.

(h) Implementation of Grievance Recommendations

Reported:

(1) Following a concern raised by UCU (and communicated to the Board) about the perceived lack of progress in implementing an appeal panel recommendation, the Committee requested assurance that grievance outcomes and lessons learned were being implemented in a timely fashion. (Item 10 contains an update on the related Whistleblowing Procedure case)

(2) Based on the scope of the work undertaken, the report provided a rating of reasonable assurance regarding the operation of the University's grievance and Dignity at Work procedures, including the implementation of resulting agreed actions. The two moderate risk findings related to clarity and status of actions and recommendations and timescales for resolving cases at both investigation and appeal stage.

Noted:

(1) The findings of the report would be shared with UCU and forwarded to People Committee.
Action: Deputy Secretary/Director of People and OD

(2) Whilst there had been recent improvements in administration and processing, Statutes required that all hearing, appeal and grievance panels contained a lay Board

member and substantial improvement in timescale was unlikely to be achieved without reform of the Statute (already enacted in many peer institutions) and this was a matter that would receive attention at the next external governance review (now scheduled for 2025-26). In the meantime, efforts would be made to ensure that lay members shared the resulting load equitably.

(i) Academic Governance

Reported:

(1) This audit was agreed with the Committee as part of the annual programme of work, to provide advice and recommendations on the academic governance mechanisms (including the two Senate Academic Quality and Standards Committees, AQSCs) implemented at the start of academic year 2022-23 to strengthen academic assurance and Office for Students (OfS) compliance (these changes had been implemented following the 2021 external governance review by Halpin).

(2) The report provided a reasonable risk assurance rating for the governance effectiveness of the new mechanisms adopted by the Board and Senate in response to the Halpin review and compliance with [OfS regulatory conditions E](#).

(3) Moderate risk findings related to clarity of the remit of AQSCs, the role and responsibilities of elected members, workload allocation and induction and training.

(j) Student Experience Action Plans (SEAPs) Process

Reported: this advisory study had resulted in potential enhancements to the changes to the current SEAP process planned for Autumn 2024, following a review of stakeholder engagement and sector benchmarking.

(k) Audit Action Tracker Report

Reported:

(1) Based on action progress and completion, the report provided reasonable assurance for the period between February and August 2024. The report for the previous six-month period had provided substantial assurance (14% of actions were deemed overdue, compared to 2% in the previous report)

(2) Over half of the overdue actions were in one Faculty (Biology, Medicine and Health) and action was being taken to follow up. Overall, the number of actions with revised due dates had also increased.

Noted:

(1) The importance of ensuring that target dates for completion of audit review outcomes were realistic and that extensions to target date completions should only be granted in exceptional circumstances.

(2) It was also importance for the Committee to understand the level of residual risk arising from late or non-completion of audit review outcomes.

(3) That in the case of persistent under-performance, those responsible for actions should be asked to attend the Committee to explain.

Agreed: the Committee be advised of the residual exposure to risk arising from failure to complete actions in agreed timeframe and acceptance/tolerance of this.

Action: RSCOO/ Uniac

(ii) 2024-25 internal audit programme

Agreed: the internal audit plan for 2024-25 which incorporated amendments discussed at the previous meeting.

Action: Uniac

(iii) Draft internal audit annual report 2023-24

Received: the draft internal audit report for 2023-24 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 (this was the best outcome achievable).

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

(3) Uniac praised the internal audit programme which demonstrated a focus ahead of many institutions, a strong link with strategic risk and a willingness and desire on behalf of management that audits focus on academic and academic related risks as they relate to the wider risk environment. In Uniac's opinion, the University's deployment and maturity in the use of the internal audit resource was ahead of most, if not all other institutions it served.

(4) 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.

Noted: the suggested inclusion of a separate appendix setting out total number of audit findings and those where agreed actions were still outstanding.

Action: Uniac

(iv) Admissions verification issues

Received: a report advising that the University (in common with other Russell Group universities) had recently seen an increase in the number of cases of admissions fraud amongst applicants, students and graduates. Investigations had found significant fraud in undergraduate degrees purporting to be from US institutions submitted in support of applications from Chinese applicants.

Reported:

(1) Whilst numbers and impact were relatively low, resolution of this matter was being treated as an urgent priority and an operational group was assessing mitigating measures which were likely to include introduction of [Qualification Check](#) as a new verification service to ensure that the University was putting in place measures to ensure fraud was caught before applicants become students of the University

(2) The Committee would be updated on progress at its next meeting.

Action: Director of Student and Academic Services

(v) Internal Investigatory Work

Noted: an update on current internal investigatory work.

8. External Audit

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

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.

Reported:

(1) At its meeting in September 2023, the Committee had approved a request for PKF Littlejohn to undertake the Turing Scheme audit for the duration of the current term of PKF Littlejohn's audit appointment.

(2) PKF's ethics team had asked that the Committee confirm this approval on an annual basis.

Agreed: to confirm the Committee's earlier decision to approve the request for PKF Littlejohn to undertake the Turing Scheme audit for the year ended 31 July 2024.

Action: PKF

(ii) Annual Reporting: draft content for inclusion in the 2024 Financial Statements

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

Agreed: to approve the narrative content, subject to review of any specific comments from members.

Action: Deputy Secretary

9. Health, Safety and Wellbeing Quarter 3 report

Received: the Health, Safety and Wellbeing (HSW) Quarter 3 report, covering the period February-April 2024, following review by Planning and Resources Committee.

Reported: the report included the draft work plan for 2024-25, the updated Occupational Health and Safety Strategy for 2024-25 and the Staff and Student Mental Health and Wellbeing Strategy. Minor updates to the Health and Safety Policy Statement and the Health and Safety Organisation Document, had been approved by the Board of Governors on 24 July 2024

Noted:

(1) Good progress was being made with implementation of recommendations from the recent Uniac audit.

(2) A Training Needs Analysis Group had been established to review existing health and safety training and clarify training requirements and gaps.

(3) Roles and responsibilities in the Policy Statement and related documents were clear and it was important to ensure that (in addition to optimising training) this was reflected by culture and behaviour in practice.

10. Public Interest (Whistleblowing) Disclosures

Received: a verbal update on a recent investigation into a whistleblowing case.

Reported: the case related to a complaint received from the University of Manchester UCU Executive (addressed to the Board of Governors) about perceived resistance to implementation of recommendations arising from a grievance appeal panel hearing (this related to item 7 (i) (h) above).

Noted: the recommendations arising from the review which made resolution of the matter in a mutually satisfactory way achievable, noting (in particular) the need for some reconciliation between the complainant academic group and the relevant School leadership.

11. Committee Forward Agenda 2024-25

Received: the Committee forward agenda for 2024-25.

12. Dates of remaining meetings in 2024-25

- 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