

THE UNIVERSITY OF MANCHESTER

AUDIT AND RISK COMMITTEE 6 November 2024

Present: Deirdre Evans (Chair)
Ann Barnes
Tony Raven
Trevor Rees
Natasha Traynor

Apologies: Robin Phillips

In attendance: Professor 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
Richard Young, Uniac
Sue Suchoparek, Uniac
Alastair Duke, PKF Littlejohn
Carmine Papa, PKF Littlejohn
Tom Pattinson, Director of Transformation and Strategic Change Office (item 4 only)
Prof Melissa Westwood, Associate Vice-President (Research) (item 5 only)
Prof April McMahon, Vice-President (Teaching, Learning and Students (item 5 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 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 (David Buckley (Chair), Guy Grainger, Reinmar Hager, Philippa Hird, Lexie Baynes and Professor Duncan Ivison).

Received:

- (1) Summary of key points from the Financial Statements
- (2) Draft Financial Statements for the year ended 31 July 2024.
- (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 2024 (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 University Statement of Comprehensive Income

(3) No post Balance sheet events were currently anticipated. Finance Committee was comfortable with the scenario modelling in the Going Concern summary and in response to questions, it was confirmed that the projected £10 million increase in National Insurance Contributions had no impact on Going Concern (and the increase was offset over time by the recently announced increase in maximum full-time undergraduate fee levels to £9,525 per annum.)

(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 and had no impact on the audit opinion (this was confirmed in paragraph 5 of the Letter of Representation), 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). PKF confirmed that they were comfortable with the capitalisation threshold (£100,000) previously agreed by the Committee.

(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 fraud in revenue recognition, valuation of defined pension scheme liabilities, valuation of defined benefit pension scheme assets for the Greater Manchester Pension Fund, risk of management override, 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.

(6) Work to date had not detected any significant deficiencies in internal controls. Non-significant deficiencies highlighted in the report included some matters related to leavers payroll procedures and a one-off redundancy overpayment. The Committee was aware of long-standing issues regarding processing of leavers: the Uniac report later on the agenda had provided reasonable assurance on payroll, reflecting improvements in this area. Introduction of an integrated Enterprise Resource Planning (ERP) system (see below) would, in due course, eradicate this problem, with interim solutions involving improved communication across the organisation. A management action had been identified to mitigate the redundancy overpayment issue.

(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 were 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 was required to comply with various rules, regulations and standards. This imposed 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 18 September 2024 be approved.

4. Matters arising and action tracker

Received: the action tracker setting out progress against matters arising from earlier meetings. Included in the report was an appendix on the Strategic Change Portfolio, including a progress update on the Uniac audit on institutional strategic change and a summary of the response to the Finance Transformation Programme (FTP) lessons learned report.

Noted:

(1) The Strategic Change Portfolio report outlined current portfolio risks and issues, including matters reviewed recently.

(2) The strategic change portfolio was now smaller and simpler, because of delivery in some areas, closure of actions and recategorizing some activity as business as usual or continuous improvement (rather than a project). Notwithstanding this streamlining, the Strategic Change Office was able to maintain oversight of overall change activity and impact, working with relevant faculty and Professional Service colleagues. Commencement of the Manchester 2035 strategy consultation also provided the opportunity to rethink alignment of strategy with the change portfolio.

(3) Actions to address the recommendations from the Uniac audit on institutional strategic change were in train. Immediate steps included governance streamlining, clarifying responsibilities, benefits management, sharing good practice and facilitating student representation and co-creation.

(4) Following the cessation of the Finance Transformation Programme, a new piece of work, Future Foundations, had been established to investigate the business case and potential approaches for a strategic ERP platform. This was a significant initiative and following process reviews and sector research, the drafting of a full business case was underway.

(5) The Finance Transformation Programme Lessons Learned report highlighted the need for future change programmes at the University to operate differently from inception. Although there had been relatively few new projects commencing, where these lessons could be applied from the outset, there were clear examples where changes to operation had been made as a result of the report.

Agreed: to invite the Director of Transformation and Strategic Change back to a future meeting of the Committee to report on progress following discussion between the Chair of the Committee and the Chair of Finance Committee to ensure clarity over the respective roles of the two committees.

Action: Deputy Secretary

5. 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 30 October 2024.

i) Teaching, Learning and Students (TLS)

Reported:

(1) The TLS Academic Quality Standards Committee (AQSC) had carried out the detailed review of the report and extensive supporting material, following earlier review by TLS Strategy Group. The report was more concise than previous iterations and its structure better enabled year on review and trend analysis. Extensive supporting background material was available in the Reading Room for full transparency.

(2) The AQSC had recommended approval of the report by Senate. Discussion at Senate had been dominated by a small number of members and three members had asked that their opposition to approving the report be noted, expressing concern that (notwithstanding earlier review by the AQSC) there had been insufficient time for Senate to consider the volume of supporting material: there was also concern that the role of the AQSC diminished the role of Senate. The same members had also expressed concern at the Uniac review of academic governance which was supportive of delegation to AQSCs and their work to date.

(3) A small number of other members of Senate, whilst not opposed to the principle of delegation, had commented on the potential to review how it currently operated. Other members of Senate had commented on the potential for the report to be less focused on process and more problem driven.

Noted:

(1) The report reflected on the continued disappointing National Student Survey (NSS) outcomes, referencing the short-term series of 15 core actions agreed by the Senior Leadership Team to drive improvement. Previous action plans had been designed locally, with a lack of consistency of implementation, and the current plan had been deliberately designed on a University-wide basis.

(2) It was also important to acknowledge that interventions can take a considerable amount of time to show conclusive results, especially given that final-year undergraduates reflect on their entire student journey when completing the NSS. Nonetheless, data analysis can show early indications of positive movement in indicators, showing the importance of bringing a more strongly comparative approach into future Assurance Reports. The shift to an action-focused approach to the report would assist in this reframing and ensure that examples of effective practice leading to positive change could be identified and shared.

(3) There were positive examples of action being taken to improve satisfaction, learning from experience and past critical comments: for example, in the School of Medical Sciences, which had the lowest NSS scores in the University, a more proactive approach to students on placement had been adopted, including direct contact with local NHS Trust senior managers and engaging with students in their placement location.

(4) In relation to Graduate Outcomes data (measuring the proportion of graduates in high-skilled employment or further study 15 months after graduation) which was below progression target, focus was on increasing engagement with graduating cohorts through a targeted communication strategy and dedicated resource and activities, which included tailored careers advice, improved services, and employer and alumni engagement. Given the related need to improve progression from undergraduate to postgraduate taught programmes, a review of the postgraduate taught portfolio would be undertaken to optimise attractiveness.

(5) The recently established Student Recruitment and Intake Strategy Group had proved an effective initiative, enabling a whole University approach to recruitment.

(6) Section 5 summarised the 14 actions identified in the report and their alignment with the five key Teaching, Learning and Student Experience priorities (namely: Addressing student positivity in Assessment and Feedback, Strengthening the Student Voice and Representation, Implementing the Access and Participation Plan 2025-26 to 2028-29, Reviewing the Postgraduate Taught Portfolio, and Enhancing our Graduate Experiences and Outcomes).

(7) Notwithstanding the comments from a minority of Senate members, the report was more action-based and solution-focused, reflecting on comment on the previous iteration.

(8) Summarising Committee reflection on the reports, the Chair encouraged, as part of the process of regular review, reflection on:

- i) the operation of the Senate committees to ensure optimal effectiveness: and
- ii) the appropriateness of various targets as set out in the report.

Action: Vice-President (Teaching, Learning and Students)

ii) Research

(1) The Research Academic Quality Standards Committee (AQSC) had also carried out the detailed review of the report and extensive supporting material, following earlier review by the Research Strategy Group and the Manchester Doctoral College. Supporting background material was available in the Reading Room for full transparency.

(2) The report noted that funding and citation targets had not been met. Consequently, priorities identified in the report included: growing research income, enhancing research quality (with a focus on citation performance), developing research leadership capacity, fostering interdisciplinary research, building an enhanced research culture and environment and optimizing the professional service research support environment.

Noted:

(1) Whilst there was scope to enhance the level of post-award support, overall the level of professional services support was appropriate.

(2) Interdisciplinary research would continue to be promoted through Research Beacons, platforms and institutes, and this would help to drive income growth.

(3) There was scope to improve performance, particularly in medical research, where University metrics compared unfavourably to its peers and there was scope to leverage the opportunities provided by the wider Greater Manchester health landscape.

Agreed: that, with the above commentary, both reports be recommended for approval by the Board.

Action: Deputy Secretary

6. Annual Report of the Committee to the Board of Governors for 2023-24

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. Internal Audit and Internal Control

(i) Uniac Progress Report

Received: the latest Uniac internal audit progress report, which included a summary of progress since the previous meeting (two sector briefing notes on Corporate Governance Failures in Accountability and Ethical Decision Making and Asset Management were available in the Reading Room).

(a) Payroll

Reported:

(1) The review focused on the main University end of month payroll and was the first full payroll audit since 2018-19, although there had been subsequent specific audits since then, for example, in relation to staff overpayments, staff leavers and compliance with IR 35 legislation.

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

(3) The review contained five moderate risk findings, including matters related to staff overpayments and to employee data retention.

Noted:

(1) Work was ongoing to review data retention and carry out cleansing where appropriate, noting the complexity and interconnectivity of legacy systems. The University had engaged an external consultant to assist in the establishment of a Security Privacy Framework.

(2) On the Strategic Risk Register, the cyber security and information governance risks were interconnected, and it was important that the Board was aware of the data retention element of the risk and measures being taken to mitigate it.

Action: Deputy Secretary

(b) UK Research and Innovation (UKRI): Ineligible Costs Follow-Up

Reported:

(1) This was the final report in a cycle, following a limited assurance rating issued by UKRI following the January 2022 audit of the University under their Funding Assurance Programme (FAP). The purpose of this review was to follow up on the agreed management actions from the April 2023 review, including looking at all UKRI grants that were closed and submitted during this period (120 grants in total) and checking to see if there were any items of ineligible expenditure included.

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

(3) The review contained two moderate risk findings, one relating to recording evidence of annual reviews and the second noting improvements required to the recording of cash passport expenditure for research activity.

Noted:

(1) In relation to cash passports (needed for researchers working in remote areas) there was a need to strike an appropriate balance between flexibility and ease of use with some rigour around controls.

(2) Appropriate management action had been identified and the sums involved were relatively small.

(ii) Final Internal Audit Annual Report 2023-24

Agreed: the final version of the internal audit report for 2023-24, which included minor amendment following comments at the previous meeting.

(iii) Internal Investigatory Work

Reported: a brief, confidential update on an ongoing investigation into alleged malpractice in relation to suppliers. The Committee would receive a further update at its next meeting.

7. Modern Slavery and Human Trafficking Statement

Received: the 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: as had been the case last year, this year's Statement included 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.

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).

Reported:

(1) Value for Money was demonstrated through the annual completion of the sector wide Efficiency Measurement Reporting submission where £10.3m of cash and other savings were reported for 2023-24. The majority of University non-pay spend was with approximately 900 formally contracted suppliers which overall account for around 81% of total spend.

(2) The University had not been subject to the Public Contracts Regulations 2015 since the 1st August 2023. Since this change there had not been a major change in procurement working practice; the University still followed the spirit of the public procurement regime but was able to benefit from more flexibility in how it operates.

Noted:

(1) There was scope for more ambitious savings targets and more effective category management would assist with this

(2) The University was seeking a new Director of Procurement to lead further improvements in the procurement function.

(3) Potential for greater use of shared services: experience in the sector suggested that smaller institutions benefitted most from such arrangements, but there was also scope for the University to link with major regional public sector bodies in some areas of procurement.

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

Received: the latest quarterly report from the Health, Safety and Wellbeing Committee which included the Committee's annual report 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 2024-25 were included.

Noted:

(1) As previously reported, the recent Uniac internal audit review had raised concerns about the clarity of roles and responsibilities for health and safety management, and recording and monitoring of mandatory health and safety training to ensure that the University was meeting its statutory requirements. The University's devolved structure for health and safety management meant that there was a high degree of variation across faculties and departments.

(2) In response to the Uniac review, there was focus on ensuring a comprehensively effective safety culture across the University, setting clear expectations of those in leadership and management roles (for example in research, Principal Investigators), development of mandatory training (including effective means to monitor this) and regular reporting into the University Executive.

(3) Post pandemic working arrangements and less regular supervision reinforced the importance of establishing a robust and effective safety culture

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. Confirmation of Compliance with TRAC requirements 2023-24

Received: a report providing an overview and confirmation of the University's compliance with the Transparent Approach to Costing (TRAC) guidance (as stipulated by the Office for Students, OfS) and also the summary of the benchmarking results compiled by the Office for Students based upon the sector TRAC results for 2022/23.

Reported: The delivery of a report outlining the University's compliance with the TRAC guidance was a compliance and governance requirement. The results of the benchmarking, alongside the other sources of assurance presented within the report represent the confirmation that the University's methodology for compiling the annual TRAC return was compliant with the guidance for the 2023/24 return.

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

Action: Chief Financial Officer/Deputy Secretary

12. Public Interest Disclosures

Noted: there were no new Public Interest Disclosures to report.

13. Committee Forward Agenda 2024-25

Received: the updated Committee forward agenda for 2024-25

14. Dates of remaining meeting in 2024-25

Noted: the following dates for remaining meetings in 2024-25: (all 11am-1pm):

- Wednesday 29 January 2025 - In person
- Wednesday 16 April 2025 - Online
- Wednesday 11 June 2025 - In person