

# MINUTES

## AUDIT AND RISK COMMITTEE, AR-116

**Date:** Tuesday 10 March 2020

**Time:** 1500 for external Committee Members and external Auditors; 1530 for all other attendees

**Location:** Boardroom, University House, Leek Road Campus

### Notes:

1. Items marked with an asterisk (starred items) were for information only or regarded as noncontentious. Starred items will not be discussed and will be assumed to have been noted or approved unless a request to unstar a named item is received from a Board member in advance, or at the commencement, of the meeting.
2. Items classified as Confidential, and their subsequent minutes, will be redacted before publication of the agenda and minutes on the University's public website.

| Members                      |   |    |
|------------------------------|---|----|
| Kevin Gould (Chair)          | External Member   | T  |
| Cathryn Hickey               | External Member   | P  |
| Sara Williams (Deputy Chair) | External Member   | A  |
| In attendance                |   |    |
| Professor Liz Barnes         | Vice Chancellor   | A  |
| Ian Blachford                | Chief Operating Officer and Clerk to the Board of Governors | IA |
| Mark Dawson                  | KPMG (external audit)                                       | IA |
| Kashif Azeem                 | RSM (internal audit)  | A  |
| Alex Hire                    | RSM (internal audit)  | IA |
| Clare Mayer                  | Business Risk Manager                                       | IA |
| Sally McGill                 | Chief Financial Officer                                     | IA |
| Lauren Rooke                 | Assistant Clerk to the Board of Governors (minutes)         | IA |


P = Present; T = via telephone; A = Apologies; IA = In Attendance

| 1 MEETING MANAGEMENT |   |
|----------------------|---|
| 1686                 | <b>Apologies for Absence</b> were received from Sara Williams and Liz Barnes.   |
| 1687                 | There were no new <b>Declarations of Interest</b> .   |
| 1688                 | <b>The minutes of the last meeting of the Committee</b> , 28 Jan 2020 AR/116/01, were signed as a true and accurate record, noting that Kashif Azeem should be recorded as present at the meeting.  |
| 1689                 | <b>Matters arising:</b> <ul style="list-style-type: none"> <li>• <b>Minute 1672 – TRAC and TRACT-T returns 2018-19</b> – it was noted that following approval at the 28 January 2020 committee meeting, these had been submitted on 29 January 2020.</li> <li>• <b>Minute 1674 – Proposal for Overseas Tax Work</b> - it was noted that following further discussion with KPMG, it had become clear that the scope of the proposed Chinese tax work was greater than expected and therefore the commitment of the University to tax work undertaken by KPMG (if it were to include the work on the other four countries, as approved by the Committee) was unacceptable. Following a discussion between the Chair and the CFO, it had been agreed that an alternative supplier would be sought for the four countries. It had also been agreed that KPMG would be asked for an assessment the fees to cover the entire work relating to China, rather than the</li> </ul> |

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|  | incremental approach which they had been adopting. A response was awaited.   |
| 1690   | The committee received and noted the <b>*Overview of Annual Business for 2019-20*</b> AR/116/02.   |
| <b>2 FOR DISCUSSION AND/OR APPROVAL (marked below accordingly)</b> |  |
| 1691   | <p>The committee discussed the following <b>Internal Audit Reports 2019-2020</b>:</p> <p><b>i) Estates Compliance: Asbestos</b> (<i>reasonable assurance</i>) AR/116/03 (available on SharePoint), introduced by Alex Hire of RSM, who noted that although an annual review of this area was not mandatory, it was considered good practice.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould noted that whilst the report gave assurance on regulatory compliance in this area, it was not clear whether operational assurance was also given. This was confirmed.</li> <li>Cathryn Hickey asked about the timing of this annual review and it was agreed that going forward it would be preferable to schedule the asbestos report for completion during the twelfth month period, rather than falling outside. This was agreed, although it was noted that this was not a legal requirement.</li> </ul> <p><b>ii) Data Quality (HESES)</b> (<i>substantial assurance</i>) AR/116/04 (available on SharePoint), introduced by Alex Hire of RSM, who noted that work was still underway to ensure the accurate processing of this kind of data within the University.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Cathryn Hickey asked about alternative data-handling systems to SITS, and whether these would be more effective. Ian Blachford clarified that the key issue for the University related more to ensuring the clean workflow of data "upstream" from submission, rather than the quality of the data system itself. It was noted that work on improving these complex data processes was underway as part of a SITS transformation project.</li> </ul> <p><b>iii) Internal Audit Progress Report</b> AR/116/05, introduced by Alex Hire of RSM.</p> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould enquired about the Internal Audit Code of Practice within RSM's Progress Report, and how this linked to the scope of the University's internal audit plan. Alex Hire confirmed that this would explicitly be referenced within the Internal Audit Plan 2020-21.</li> </ul> <p>The committee approved the internal audit reports, agreeing that the <b>Estates Compliance: Asbestos</b> report would be referred to Sustainability and Resources Committee for noting.</p>  |
| 1692   | <p>The committee received and discussed a paper entitled <b>Review of University-Level Risk Registers</b> AR/116/06 (including all 14 high-level risk registers), introduced by the Chief Operating Officer. The following main points were noted:</p> <ul style="list-style-type: none"> <li>The spring review of the current University-level risks had taken place with discussion amongst SLT to ensure the University-level risks continued to be reflective of the risk profile. As a result, two additional risks (and the amendment of wording to others) were proposed.</li> <li>The two additional risks were: <ul style="list-style-type: none"> <li>HLR 13 - Workplace disputes are not resolved, leading to industrial action;</li> <li>HLR 14 - The University is unable to react and manage the impact of a large-scale outbreak of an infectious disease/pandemic.</li> </ul> </li> <li>Schools and services had completed their individual risk registers and the ongoing risk profile of the school/service.</li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould asked about timeframes for review of the high-level risks. Clare Mayer noted that these were reviewed on a 6-monthly basis, which gave the opportunity for in-depth consideration of the risks, their priority levels and controls. It was noted that the controls and priorities on some of the registers would move much more quickly than others, as external landscapes changed, and certain actions became business as usual.</li> <li>Kevin Gould asked for clarification on the inclusion of regulators within the registers. Ian Blachford clarified that Ofsted was included within HLR 2 - OfS/Regulators, rather than within HLR 10 - Apprenticeships, as the former aimed to pick up on all regulators rather than just OfS.</li> <li>Kevin Gould asked about the International Strategy control listed on HLR 5. Ian Blachford clarified that further work had been undertaken and this had been shared with the Sustainability and Resources Committee. If this proved ineffective then the control would move back to the action column for further development.</li> <li>Mark Dawson asked for clarification around the registers where actions were not identified. Clare Mayer confirmed that lack of actions identified was usually due to the University's agreed risk appetite in a particular area.</li> </ul> |

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|----------------------------------|---|------------------------|---------------|----------------------------------|---------------|---------------------------|------|-----------------------|-------------|------------------|----------|
|                                  | <ul style="list-style-type: none"> <li>Kevin Gould highlighted that the controls within HLR 6 - Student Retention appeared more reactive than proactive, despite the work the University was doing to improve retention rates. Ian Blachford noted that this was a complex area, given that departing students usually had multiple reasons for leaving, and that identifying meaningful and accurate proactive actions for this register had been challenging.</li> <li>Kevin Gould asked for clarification on the specific research project referred to in HLR 8 - Brexit. Ian Blachford confirmed that with the specific project, the impact was likely to be minimal (and reputational rather than financial.)</li> <li>Kevin Gould highlighted that HLR 8 - Brexit contained a reference to a "People's Vote", which would need to be removed – Ian Blachford confirmed that this would be done.</li> <li>Kevin Gould noted that within HLR 10 - Apprenticeships, controls appeared to rely significantly on School Deans. Ian Blachford clarified that ownership of the main risks were around implementation and ownership must sit within the Schools (and therefore under the Deans), with the Associate Dean – Apprenticeships available for support and assistance as required rather than for full ownership of the entire area. Ian further noted that a full report on Apprenticeships – Lessons Learnt would be received at the April Board of Governors meeting.</li> <li>With regard to HLR 12 - NSS, Ian Blachford highlighted that Executive shared oversight of NSS results with the Deans, specifically through the Business Review process, and that clarification of this would be added within the controls on this register.</li> <li>Ian Blachford noted that HLR 13 - Workplace Disputes, had been created following extensive discussion at SLT, given that the current pay award round was likely to be complex and it was expected that many HEIs would see industrial action again this year. (Historically, strike action was managed well within the University and the risk level here was within the moderate range.)</li> <li>During discussion of HLR 14 - Pandemic, Ian Blachford gave a brief overview of the University's business continuity plans in this area prior to the outbreak, and updated plans now, following extensive work by the relevant teams. Ian highlighted that much of the detail was not contained within the risk register (and some of it was changing frequently depending on changing advice). Kevin Gould enquired about student recruitment, given potential disruption to school and college exams over summer, and Ian Blachford confirmed that this had been factored into discussions.</li> <li>Kevin Gould enquired about plans for interim deputies for key roles in the event of severe business disruption, and Ian Blachford confirmed that this had been considered. Additionally, Clare Mayer noted that the University was working with other HEIs to share best practice and assess its own planning.</li> </ul> <p>The committee approved the <b>University-Level Risk Registers</b> for onward approval by the Board of Governors.</p> |                        |               |                                  |               |                           |      |                       |             |                  |          |
| 1693                             | <p>The committee received and discussed the <b>Annual Review of Risk Appetites</b> AR/116/07, introduced by the Business Risk Manager, who noted the following main points:</p> <ul style="list-style-type: none"> <li>The University was committed to ensuring that all risks were proactively controlled and exposure kept to an acceptable level, whilst acknowledging that the level of risk carried by different activities would vary.</li> <li>The University's risk appetite had been defined overall as Open for March 2018 and 2019. (This was a movement from Moderate to Open in March 2017.)</li> <li>The University's focus over this period had been to ensure process and procedures were in place and that identified ineffective areas had been actively addressed, allowing the opportunity for the University to be more Open to innovation and new options and to be Open to risk in the pursuit of these strategic objectives.</li> <li>At the recent meeting of Senior Leadership Team, the overall risk appetite of Open was approved for a further 12 months. <b>The Audit and Risk Committee was asked to consider this recommendation.</b></li> </ul> <p>The following new categories had been added to the risk appetite framework (<b>the Audit and Risk Committee was asked to consider this recommendation</b>):</p> <table border="0"> <tr> <td>○ Student Satisfaction</td> <td>Moderate-Open</td> </tr> <tr> <td>○ Academic Portfolio Development</td> <td>Moderate-Open</td> </tr> <tr> <td>○ Business Transformation</td> <td>Open</td> </tr> <tr> <td>○ Commercial Services</td> <td>Open-Hungry</td> </tr> <tr> <td>○ Cyber Security</td> <td>Cautious</td> </tr> </table> <ul style="list-style-type: none"> <li>The following existing risk appetites had been amended (<b>the Audit and Risk Committee was asked to consider this recommendation</b>): <ul style="list-style-type: none"> <li>○ Quality Assurance – Cautious to be changed to Cautious–Moderate</li> </ul> </li> <li>The following risk appetite titles had been amended: <ul style="list-style-type: none"> <li>○ Medium Term Financial Plan amended to Financial Sustainability</li> <li>○ People and Change amended to People and Organisational Development</li> <li>○ Equality and Diversity has been amended to Equality Diversity and Inclusion</li> <li>○ Regional Engagement has been amended to Civic Engagement</li> </ul> </li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould asked for clarification about the proposed appetite for Student Satisfaction of Moderate-Open. Clare Mayer noted that in order to see improvement in the NSS, particular changes were required and with these came a certain level of unavoidable (but in the main controllable) risk.</li> </ul>   | ○ Student Satisfaction | Moderate-Open | ○ Academic Portfolio Development | Moderate-Open | ○ Business Transformation | Open | ○ Commercial Services | Open-Hungry | ○ Cyber Security | Cautious |
| ○ Student Satisfaction           | Moderate-Open   |                        |               |                                  |               |                           |      |                       |             |                  |          |
| ○ Academic Portfolio Development | Moderate-Open   |                        |               |                                  |               |                           |      |                       |             |                  |          |
| ○ Business Transformation        | Open  |                        |               |                                  |               |                           |      |                       |             |                  |          |
| ○ Commercial Services            | Open-Hungry   |                        |               |                                  |               |                           |      |                       |             |                  |          |
| ○ Cyber Security                 | Cautious  |                        |               |                                  |               |                           |      |                       |             |                  |          |

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|      | <ul style="list-style-type: none"> <li>It was agreed that the appetite for the Research category should be amended to Open. Within the same category, Cathryn Hickey asked whether research capability should be set out as a specific risk and Ian Blachford noted that having the right people in place was an underlying assumption behind people and organisational development risk appetite.</li> </ul> <p>The committee approved the <b>Annual Review of Risk Appetites</b> for onward approval by the Board of Governors.</p>   |
| 1694 | <p>The committee received a verbal update on the proposed <b>Internal Audit Plan 2020-2021</b> from the Chief Operating Officer and Chief Financial Officer, who noted the following:</p> <ul style="list-style-type: none"> <li>Executive had extensively discussed potential areas for the next internal audit plan and following consideration, proposed the following: <ul style="list-style-type: none"> <li>Data compliance (required as standalone): TRAC implementation</li> <li>Accommodation, incorporating the UUK Code of Management of Housing (final part, and it has already been determined would include this year already) - covering both university and student union arrangements</li> <li>Estates compliance (mandatory as determined by the University): fire safety</li> <li>Access and Participation Plan progress (OfS)</li> <li>Capital and Project Management (incl governance and VFM): Catalyst (the University's biggest project, and will be complete in this internal audit year)</li> <li>OfS Ongoing Conditions of Regulation Compliance (including governance)</li> <li>Maturity of Business Intelligence across the University</li> <li>Academic Workload Planning Implementation</li> </ul> </li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould noted that the committee had previously discussed an audit of DIL, and Ian Blachford confirmed that a project implementation report would be presented to Sustainability and Resources Committee on 17 March 2020, and that this could subsequently be circulated to all governors by email. The committee could then decide further whether it wished this to be included in the audit plan.</li> <li>It was agreed that the above proposed areas would be circulated to the committee by email, and that a draft proposed plan from RSM would be circulated prior to the June committee meeting. <i>(Clerk's note: the proposed areas were circulated by email on 11 March.)</i></li> </ul> |
| 1695 | <p>The committee received and discussed the <b>Health, Safety and Wellbeing Annual Report 2018-19</b> AR/116/08, introduced by the Chief Operating Officer, who noted the following principle points:</p> <ul style="list-style-type: none"> <li>The attached report highlighted the main developments for the last academic year, 2018-2019, and signposted the headline areas of development for the current academic year 2019-2020.</li> <li>The report reflected the first full academic year in post of the current Head of Health, Safety and Wellbeing and demonstrated the significant progress made in 'foundation building' in terms of both process and culture. It also highlighted the significant contribution being made from this perspective to new developments such as the Digital Institute London and the Autumn Graduation Ceremonies.</li> <li>Measures such as the implementation of the new Alcumus system would have a significant impact, enabling the Head of HS&amp;W to have oversight of Estates compliance across the University.</li> <li>This report was stronger on the areas of scale and impact than previous years, however, it was recognised that this was still underdeveloped, with greater emphasis needed on the measurability of impact post-intervention.</li> </ul> <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>Kevin Gould noted that it would be preferable to make clear that the report related to the whole University group, including the subsidiary. This would be addressed.</li> </ul>  |
| 1696 | <p>The committee received and discussed a paper regarding the re-tender of the <b>External Audit Service</b> AR/116/09, introduced by the Chief Financial Officer, who noted the following main points:</p> <div style="background-color: black; width: 100%; height: 150px; margin-top: 10px;"></div>  |

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|                             | <p>Members commented as follows:</p> <ul style="list-style-type: none"> <li>• </li> </ul> <p>It was agreed that the <b>External Audit Service</b> item be referred to Sustainability and Resources Committee for noting (in order for a representative from that committee to be nominated).</p> |
| <b>3 FOR INFORMATION</b>    |  |
| 1697                        | The committee noted the <b>*Outstanding Actions against earlier Internal Audit Reports 2018-19 and 2019-20 trackers*</b> AR/116/11 and AR/116/12, presented by the Business Risk Manager.  |
| <b>4 ADDITIONAL MATTERS</b> |  |
| 1698                        | <p><b>How have we made a positive impact on our students today?</b></p> <p>It was agreed that the review of the high-level risk registers (in particular HLR 6 - student retention and HLR 12 - NSS, and given current circumstances, HLR 14 - pandemic), and continuing focus on these, was crucial for current and future students.</p>  |
| 1699                        | <p><b>Any additional matters:</b></p> <p>a) It was noted that an item on Apprenticeships – Lessons Learnt, which had originally been planned for this meeting, would be brought to the Board of Governors meeting on 1 April 2020.</p>   |
| 1700                        | <p><b>Items to be referred to Sustainability and Resources Committee:</b></p> <p><b>For noting</b></p> <p>a) <b>Minute 1691 (i)</b> - Estates Compliance: Asbestos Internal Audit Report (2019-20 plan)<br/> b) <b>Minute 1696</b> – External Audit Service Re-tender (<i>in order for a representative to be appointed to the panel</i>)</p>                                      |
| 1701                        | <p><b>Items to be referred to Board of Governors:</b></p> <p><b>For approval</b></p> <p>a) <b>Minute 1692</b> – Review of University-Level Risk Registers<br/> b) <b>Minute 1693</b> – Annual Review of Risk Appetites</p>   |
| 1702                        | <b>Next meeting:</b> Tuesday 2 June 2020 (Boardroom, University House)   |