

MINUTES

AUDIT AND RISK COMMITTEE, AR-118

Date:	Tuesday 27 October 2020
Time:	1500 for external Committee Members and <u>external</u> Auditors; 1530 for all other attendees
Location:	Microsoft Teams online meeting

Notes:

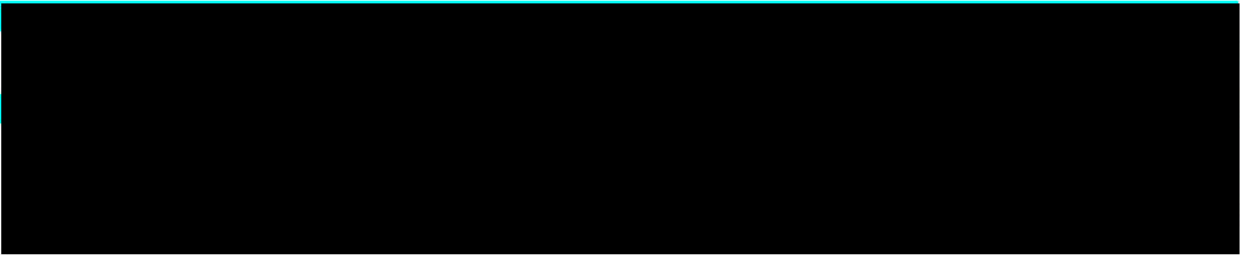
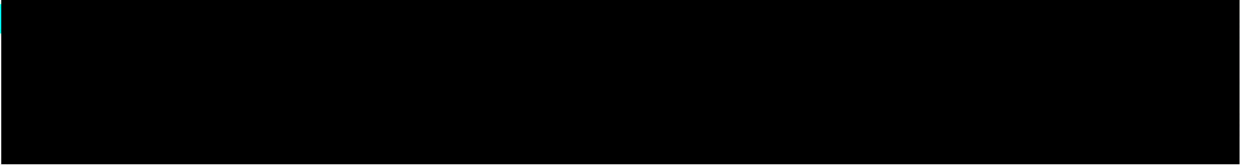

1. Items marked with an asterisk (starred items) were for information only or regarded as noncontentious. Starred items will not be discussed and will be assumed to have been noted or approved unless a request to unstar a named item is received from a Board member in advance, or at the commencement,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

Members		
Jonathan Chapman	Co-opted Committee Member	P
Tony Evans (Deputy Chair)	External Member	A
Kevin Gould (Chair)	External Member	P
Joanne Hannaford	External Member	P
Baljinder Kuller	External Member	P
In attendance		
Professor Liz Barnes	Vice Chancellor	A
Ian Blachford	Chief Operating Officer and Clerk to the Board of Governors	IA
Mark Breese	KPMG (external audit) <i>not present for items 1739 or 1745</i>	IA
Mark Dawson	KPMG (external audit) <i>not present for items 1739 or 1745</i>	IA
Clare Mayer	Business Risk Manager	IA
Sally McGill	Chief Financial Officer	IA
Lisa Randall	RSM (internal audit) <i>not present for items 1739 or 1745</i>	IA
Lauren Rooke	Assistant Clerk to the Board of Governors (minutes)	IA

P = Present (via Teams); A = Apologies; IA = In Attendance (via Teams)

1500 - 1530 Pre-meet for external Committee Members with internal and external auditors (without the presence of University staff)

1 MEETING MANAGEMENT											
1720	Apologies for absence were received from Tony Evans, Liz Barnes and Clare Mayer.										
1721	There were no new Declarations of interest .										
1722	The following Membership of the Committee for 2020/21 was noted: <table border="0" style="margin-left: 20px;"> <tr> <td>Constitution</td> <td>Membership</td> </tr> <tr> <td>External Members</td> <td>Tony Evans (Deputy Chair)</td> </tr> <tr> <td></td> <td>Kevin Gould (Chair)</td> </tr> <tr> <td></td> <td>Joanne Hannaford</td> </tr> <tr> <td></td> <td>Baljinder Kuller</td> </tr> </table>	Constitution	Membership	External Members	Tony Evans (Deputy Chair)		Kevin Gould (Chair)		Joanne Hannaford		Baljinder Kuller
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	Kevin Gould (Chair)										
	Joanne Hannaford										
	Baljinder Kuller										

	<p>Co-opted Committee Member Jonathan Chapman</p> <p>In attendance Professor Liz Barnes, Vice Chancellor Ian Blachford, Chief Operating Officer & Clerk to the Board Clare Mayer, Business Risk Manager Sally McGill, Chief Financial Officer Internal Audit representative External Audit representative Others as appropriate depending on Internal Audit reports</p>
1723	The Minutes of the last meeting of the Committee , 02 June 2020 AR/118/01, were confirmed as a true and accurate record.
1724	There were no matters arising .
1725	The Overview of annual business for 2020-21 AR/118/02 was received for information.
2 FOR DISCUSSION AND/OR APPROVAL (marked below accordingly)	
1726	The Committee terms of reference 2020-21 AR/118/03 were approved.
1727	<p>The Committee discussed the following internal audit reports 2020-21:</p> <p>i) Communications (<i>reasonable assurance</i>) AR/118/04 ii) OfS ongoing conditions of registration (<i>substantial assurance</i>) AR/118/05 iii) Progress report AR/118/06</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> •  •  <p>The internal audit reports were approved.</p>
1728	<p>The Committee received for discussion the KMPG audit on subcontracting of apprenticeships AR/118/07, presented by the Pro Vice Chancellor – Place and Engagement. The following main points were noted:</p> <ul style="list-style-type: none"> • Subcontracted arrangements for apprenticeships delivery were subject to Education and Skills Funding Agency (ESFA) rules for sub-contracting (where delivery exceeded £500,000 the ESFA required a certificate of compliance following external auditor review). Prior to 2019/20, the University had been below the threshold but delivery of the Police Constable Degree Apprenticeship (PCDA) took us above. • The audit had been undertaken by KPMG in the first week of July 2020. No high-risk observations had been made and the certificate of compliance was issued in August and submitted to ESFA. • The auditors identified 3 medium-risk and 3 low-risk observations and made recommendations. • The action plan within the attached report confirmed that five recommendations required adjustments to either the University's subcontracting agreement templates or internal administrative processes. All five actions were now completed. One action relates to the UK Provider Reference Number (PRN) for 2 of our police force partners which they are working to resolve. • This audit of sub-contracting will be required annually and would be planned as part of the annual schedule of audits and reported through the committee. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • 
1729	The RSM Internal Audit Annual Report 2019-20 AR/118/08 was received for approval, presented by Lisa Randall of RSM. It was noted that the report gave an annual internal audit opinion, based upon and limited to the work

	<p>performed, on the overall adequacy and effectiveness of the organisation’s risk management, control, governance and economy, efficiency and effectiveness processes.</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • [REDACTED] • [REDACTED] • [REDACTED] • [REDACTED] <p>The Internal Audit Annual Report 2019-20 was approved for onward approval by the Board of Governors.</p>
1730	<p>The Committee received for approval the Annual Report of the Audit and Risk Committee 2019-20 AR/118/09, presented by the Chief Operating Officer and Clerk to the Board of Governors, who noted that the Chair of the Committee had seen the draft prior to the meeting and that any comments had been incorporated. It was noted that the report provided an overview of the Committee’s work during the year and that following feedback on the format of last year’s report, an inaugural UKVI report appeared elsewhere on the agenda for this meeting.</p> <p>The Annual Report of the Audit and Risk Committee 2019-20 was approved for onward approval by the Board of Governors.</p>
1731	<p>The Committee received for approval the Draft Financial Statements for y/e 31 July 2020:</p> <ol style="list-style-type: none"> i. Draft 2019/20 Financial Statements AR/118/10 (incl AppxA and B) ii. Draft KPMG audit management letter and Letter of Representation AR/118/10AppxC <p><i>(The Financial Statements were presented here for Audit and Risk Committee for approval and compliance with the OfS accounts direction. They were also shared for approval with Sustainability and Resources Committee on 03 Nov 2020, along with the Annual Review, and will be presented for formal approval at Board of Governors on 24 Nov 2020.)</i></p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • [REDACTED] • [REDACTED] • [REDACTED] • [REDACTED] • [REDACTED] <p>The Draft Financial Statements 2019/20 were approved and would be referred to Sustainability and Resources Committee.</p>
1732	<p>The Committee received for discussion the Risk Management Framework Update AR/118/11, presented by the Chief Operating Officer. The following main points were noted:</p> <ul style="list-style-type: none"> • The report had been written to provide an overview of the risk management framework that had been implemented since 2017 and continued to be embedded and mature. The report provided a detailed summary of this journey over the three academic years. • Progress with its implementation remained on track and substantial assurance of our risk management practices had been assessed by the internal auditors during the Internal Audit Plan in 2019-2020. There were therefore no

concerns to raise to the Audit and Risk Committee, with the paper providing context only, particularly for new members to the committee and in line with the Terms of Reference.

Members and attendees commented as follows:

- Jonathan Chapman commended the paper and it was agreed that it would be made available to all Board members.
- Joanne Hannaford asked for clarification on how the framework was implemented and made operational. Ian Blachford noted that Schools and Services had ownership of their own local-level risk registers with a greater focus this year on testing the robustness and impact of the identified controls.
- Kevin Gould noted that significant progression had taken place in this regard over the past few years, and that the Committee had taken a relatively challenging approach. It was agreed that a voluntary session with the Business Risk Manager would be scheduled prior to the next Committee meeting for Members to discuss this further if they wished.

1733 The Committee received for approval the **University-level risk registers** AR/118/12, introduced by the Chief Operating Officer. The following main points were noted:

- As part of the Risk Management Framework, the Audit and Risk Committee and the Board of Governors considers the University level risk registers at two points per annum. Normally, the update of these high-level risk registers would not be undertaken until January/February, however, given the turbulence within the sector and more widely it was felt appropriate to review these earlier than normal.
- The Audit and Risk Committee should be assured that the risk registers continue to be updated and embedded within our risk management framework, reflecting changes to our risk profile, risk appetite and internal and external changes.
- The Committee was asked to approve the risk registers for onward approval by the Board of Governors.

Members and attendees commented as follows:

- Jonathan Chapman commended the process of movement between raw and residual risk. Ian Blachford clarified that each high-level risk register had an Executive owner, but that review did not happen in isolation. SLT discussed each in turn, looking at both raw and residual risk holistically.
- Jonathan Chapman asked about risks that seemed to have increased but with no new actions allocated. Ian Blachford confirmed that actions were generally put in place when controls weren't working, and further controls needed to be implemented. In practice this meant that in some cases, the University was cognisant of change but still believed that the controls in place were appropriate.




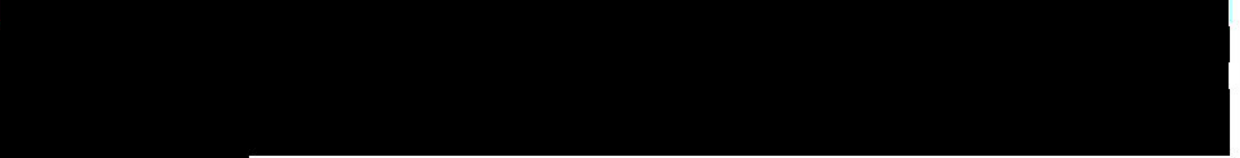


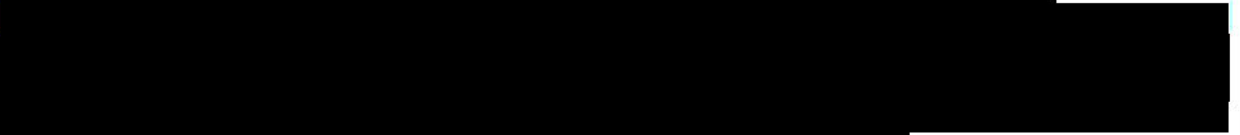

The **University-level risk registers for 2020-21** were approved for onward approval by Board of Governors.

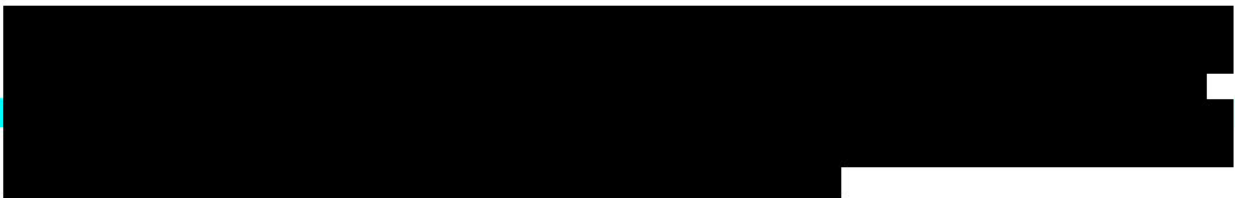

1734 The Committee received for approval the **review of risk appetites** AR/118/13, presented by the Chief Operating Officer, who noted that these had been brought forward from their usual January/Spring meeting. The following main points were noted:

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Members and attendees commented as follows:

- [Redacted]
- [Redacted]

	 <p>The proposed risk appetites for 2020-21 were approved for onward approval by Board of Governors.</p>
1735	<p>The Committee received for discussion the Procurement Value Survey 2018-19 AR/118/14, presented by the Chief Financial Officer, who noted the following main points:</p> <ul style="list-style-type: none">• This paper showed the University's performance from the Procurement Value Survey (PVS), completed in January 2020, for the financial period 2018/19 and showed how these results benchmarked with other Universities within its peer group.• The aim of the PVS was to gather institutional and sector-wide efficiency data in line with the HE Sector Benefits Methodology, and 88 responses had been received. To enable universities to benchmark their performance against similar sized organisations, data was split based on the turnover of the institutions.• The benchmark covered five standard performance indicators, and generally Staffordshire procurement was performing above average in all areas based on the sector performance indicators for this size of institution.• The exception to this was the cost of the procurement function. As this was based on impactable spend, which varied year on year, so did the % cost of the function. During the last twelve-month period we had tendered for several major projects including the Catalyst principal contractor. Expenditure had not commenced on these major projects in the 2018/19 period but would commence in the 2019/20 period and would therefore significantly reduce our % indicator. <p>Members and attendees commented as follows:</p> <p>NONE</p>
1736	<p>The Committee received a verbal update regarding the FRC principles of operational separation of audit practices from Mark Dawson of KPMG, who confirmed that KPMG were still reviewing this requirement internally but that the changes would not have a material impact upon the conduct of the University's external audit next year, including the composition of the audit team.</p> <p>Members and attendees commented as follows:</p> <p>NONE</p>
1737	<p>The Committee received and approved the *Annual review of Public Interest Disclosure policy* AR/118/15.</p>
1738	<p>The Committee received and approved the *Annual review of Risk Management Framework policy* AR/118/16</p>
1739	<p>The Committee received for approval the draft Internal audit tender document AR/118/17, introduced by the Chief Operating Officer. The following main points were noted:</p> <ul style="list-style-type: none">

	 <p>The internal audit draft tender document was approved.</p>
3 FOR INFORMATION	
1740	The Committee received for information the *Outstanding actions against earlier internal audit reports tracker* AR/118/18, which was commended by Kevin Gould.
1741	The Committee received for information the *Students' Union annual report and accounts 2019-20 (draft)* AR/118/19. The Chief Financial Officer, who was a trustee of the Students' Union, gave a verbal update noting that the University was working closely with the Students' Union to help improve their financial sustainability.
1742	The Committee received for information the *Annual UKV&I report 2019-20* AR/118/20 introduced by the COO, who gave a brief overview of the context for the Committee, noting that an audit was currently being planned (outside of the internal audit plan for 2020-21).
1743	The Committee received for information the *Annual Public Interest Disclosure report 2019-20* AR/118/21.
4 ADDITIONAL MATTERS	
1744	<p>How have we made a positive impact on our students today?</p> <p>It was agreed that the focus on the risk management framework was key for the overall student experience. The University's financial sustainability, and that of the Students' Union, were also central.</p>
1745	<p>Review of performance of internal auditors</p> 
1746	There were no additional matters .
1747	<p>Items to be referred to Sustainability and Resources Committee:</p> <p>For approval</p> <p>a) Minute 1731 (i and ii) - Financial Statements for y/e 31 July 2020 (Financial Statements 2019/20; Draft KPMG audit management letter, and Letter of Representation)</p> <p>For information</p> <p>b) Minute 1741 – Students' Union annual Accounts 2019-20 (draft)</p>
1748	<p>Items to be referred to Board of Governors:</p> <p>For approval</p> <p>a) Minute 1726 – Committee Terms of Reference 2020-21</p> <p>b) Minute 1729 – RSM Internal Audit Annual Report 2019-20</p> <p>c) Minute 1730 – Annual Report of the Audit and Risk Committee 2019-20</p> <p>d) Minute 1733 – University-Level Risk Registers</p> <p>e) Minute 1734 – Review of risk appetites</p> <p>For information</p> <p>NONE</p>
1749	Next meeting: Tues 26 January 2021 (Boardroom, University House)