

MINUTES

AUDIT AND RISK COMMITTEE, AR-127

Date:	Thursday 9 March 2023
Time:	1500 for external Committee Members and Auditors; 1530 for all other attendees
Location:	Microsoft Teams online meeting (CA306, Catalyst, Leek Road)

Notes:

1. *Items marked with an asterisk (starred items) are 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 will be placed on the Register of Confidential Minutes (reviewed annually). These items, and their subsequent minutes, will be redacted before publication of the agenda and minutes on the University's public website.*

Members		
Jonathan Chapman (Chair)	External Member	P (T)
Mohit Dhingra	Co-opted Committee Member	P (T)
Baljinder Kuller (Deputy Chair)	External Member	P
Victoria Sylvester	External Member	P (T)
In attendance		
Ian Blachford	Chief Operating Officer and Clerk to the Board of Governors	IA (T)
Louise Bostock	KPMG (internal audit)	IA (T)
Andrew Bush	KPMG (internal audit)	IA (T)
Adam Footitt	BDO (external audit)	IA (T)
Sam Lifford	BDO (external audit)	IA (T)
Clare Mayer	Business Risk Manager	A
Sally McGill	Chief Financial Officer & Deputy Chief Executive	IA (T)

P = Present; A = Apologies; Ab = Absent; L = Late; IA = In Attendance

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

1 MEETING MANAGEMENT	
1914	Apologies for absence were received from Clare Mayer
1915	Declarations of interest Mohit Dhingra updated the committee that he is currently an employee of UNUM, who are referenced in the HROD Annual Report. This has previously been declared and there is no conflict as the reference in the annual report referred to an existing policy that had been in place since 2018.
1916	Minutes of the last meeting of the Committee , 26 October 2022 AR/126/01 were signed as a true and accurate record.
1917	Matters arising: <ul style="list-style-type: none"> • Minute 1899 – Membership of the Committee 2022-23 – it was noted that since the last meeting of the Committee, Mohit Dhingra had become an Independent Member of the Board of Governors, and that the Co-opted Member of the Committee role was no longer in place for the remainder of this academic year. A decision would

	<p>be made on this for the forthcoming academic year, at the next meeting of the Nominations and Governance Committee.</p> <ul style="list-style-type: none"> • Minute 1895 - BDO Audit on Subcontracting Apprenticeships – it was noted that the actions arising from this audit now appeared on the audit actions tracker that was a standing item elsewhere on the agenda. • Minute 1898 - Draft Financial Statements and External Audit Completion Report – it was noted that the finalised External Audit Report had been circulated to the Board of Governors in advance of an extraordinary meeting held on 24 November 2022. • Minute 1899 - Refreshed University Level Risk Registers – it was noted that the University-level risk register regarding legal compliance now included an additional section on contractual compliance.
1918	<p>*Overview of annual business for 2022-23* AR/127/02 was received for information.</p>
2 FOR DISCUSSION AND/OR APPROVAL (marked below accordingly)	
1919	<p>The internal audit reports 2022-23 was introduced by KPMG auditor, Louise Bostock for approval.</p> <p>a) Strategic and Operational Planning: SITs Transformation Process (<i>partial assurance</i>) AR/127/03</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • Whilst the project to reconfigure and transform the University’s student records system, SITS, to better represent the business needs of the University has delivered significant developments, it was noted that benefits realised were unquantifiable and the project focused primarily on reporting project activity and deliverables. • Mohit Dhingra commended the transparency of the report and asked for clarification on whether the University has the capability and bandwidth to deal with such issues in the future. • Ian Blachford explained that the area had been selected as part of the internal audit plan specifically because of the observed shortcomings with the process of delivery. Ian Blachford drew attention to the fact that the role of SCB had been acknowledged in terms of project governance, and that SCB had for example, challenged reports on progress and delivery. • Jonathan Chapman suggested that the Digital Transformation project being undertaken by Pro Vice Chancellor, Digital Transformation, Prof Raheel Nawaz, should provide a more comprehensive benefits management strategy from planning to closure. He also enquired about the progress of this plan. Ian Blachford said that Raheel Nawaz will present the Digital Transformation project to the Sustainability and Resource Committee with onward progression to the Board of Governors, once costed and timelined. • As a result of the development of the Digital Transformation Plan, a new board had been created to oversee progress in delivery. The Audit and Risk Committee highlighted, that it was important that SCB remain with their role to provide independent scrutiny of the progress of the DTP projects and other non-digital change programmes. This point was agreed by all. • The internal audit report was approved. <p>b) Data Management – Student Loans Company (significant assurance with minor improvement opportunities) (AR127/04)</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • Sally McGill said the report findings were as predicted and that the comments and additional actions were helpful. • Jonathan Chapman asked whether there were any financial implications resulting from unreconciled items. • Sally McGill explained that the unreconciled items were due to the slow administration processes on the part of the Student Loans Company as well as students’ failure to update the SLC about money owed to the University. • The internal audit report was approved. <p>c) Key Financial Controls: Budgetary Control and Financial Forecasting (AR/127/05)</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • Sally McGill agreed with the report findings and Jonathan Chapman commended KPMG for providing a comprehensive report. • Mohit Dhingra asked if there was any reason for concern on overall financial control alignment or whether assumptions were not documented. Sally McGill responded that the assumptions related to the University having made provisions against inflation and uncertainties and that they were not related to student income calculations. • The external auditors agreed with this assessment and raised no concerns. • The internal audit report was approved.

	<p>d) UUK Code of Management of Student Housing Review (significant assurance with minor improvement opportunities) AR/127/06</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> The internal audit report was approved and the information would be submitted to UUK, as per the regulatory requirements. <p>e) Internal audit progress report AR/127/07</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Mohit Dhingra commended the audit reports received in terms of their coverage, their findings and the overall presentation. It was acknowledged by the University that the standard of reports from KPMG was an improvement on previous auditors and the information more beneficial for management actions. <p>The Committee approved the 2022 – 2023 internal audit reports (agreeing to refer these on as appropriate – see below).</p>
1920	<p>The TRAC Submission AR/127/08 was introduced by Chief Financial Officer and Deputy Chief Executive, Sally McGill for approval.</p> <ul style="list-style-type: none"> The TRAC return is submitted annually to OfS. The latest TRAC return for the 2021/22 Financial Year was reviewed and approved by the University TRAC Steering Group on 10th January 2023 and was submitted to OfS on 24th January 2023. The purpose of the TRAC return is to establish an approach to demonstrate the full economic costs of research and other publicly funded activities in higher education, in order to improve the accountability of public funds. The return also forms the basis for the calculation of the University's estates and indirect cost recovery rates, which are used for the University's research grant applications to Research Councils. The TRAC return requires the analysis of the University's costs and income as stated in the statutory accounts, by activity categories: A. Publicly funded Teaching, B. Non-Publicly Funded Teaching, C. Research and D. Other Activities. Further to the analysis of costs and income, an adjustment for sustainability is added (Margin for Sustainable Investment - MSI) which aims to present the full economic cost of the university's activities. The MSI adjustment aims to account for the real cost of higher education activity by calculating the amount of cash needed for replacement of assets (infrastructure) and further investments. The MSI is added to the historic expenditure stated in the institutions' published financial accounts. A full presentation on TRAC background has been incorporated in Appendix C. The TRAC return showed an overall static recovery of full economic costs of 93.7%, consistent with last year's results (93.5%). Publicly funded Teaching and Research recovery are broadly in-line with last year (93.3% and 29.1% respectively) with some significant fluctuations in non-Publicly funded Teaching (115.3% in 21/22, 153.3% in 20/21) and Other Activities (142.9% in 21/22, 92.7% in 20/21). The impact of the MSI adds costs of £2.1m to this year, compared to £20.3m in 2020/21, an increase mainly driven by the University's forecasted increased depreciation and surplus forecasts, driven by the planned Capital activity and by the student number growth incorporated in our 5-year plan, respectively. The Assurance Reminders Checklist identifies potential areas of non-compliance for institutions to review their TRAC processes and methodologies against. The checklist has been fully reviewed and compliance has been confirmed with the exception of Space weighting and Space data. These are in the process of being updated, following the introduction of the Catalyst building. The exercise wasn't finalised in time for the 2021/22 return, but will be ready for the 2022/23 return. The Statement of Requirements summaries the TRAC requirements necessary to achieve full compliance. The document has been fully reviewed and compliance to all items has been confirmed. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Sally McGill explained that a benchmarking exercise is yet to take place against other institutions. She also highlighted that the University has not yet undertaken an exercise to examine space allocation and allocate costs according to activities within the Catalyst Building as it is a new build. This is currently showing as a minor noncompliance on the report. She explained that this will be updated next year when there is sufficient data, however it is not expected to affect the overall results of the report. Andrew Bush commended the University for taking the TRAC requirements seriously. Mohit Dhingra said the paper was useful for providing visibility of benchmarks which helped gauge how the University was fairing against other institutions.

	The Committee approved the TRAC report for onward submission to the Board.
1921	<p>The Internal Audit Planning Document 2023-2024 AR/127/09 was introduced by the Chief Operating Officer, Ian Blachford for discussion.</p> <ul style="list-style-type: none"> The first draft of the internal audit plan for 2023-2024 was presented for discussion. This had been developed by the Executive in discussion with the internal auditors. It was presented for initial comments by the Committee for finalisation at the next meeting of the Audit and Risk Committee. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Mohit Dhingra commented that although the plan looks comprehensive, it would be useful for governors to see it divided into two sections, ie cyclical elements versus items that are on the risk registers and strategic priorities. This will help to shape the plan to support the University's strategic priorities and may feed into the objectives of the digital transformation. KPMG agreed that they would capture this in the final presentation of the report at the next Audit and Risk Committee. Jonathan Chapman showed his support for the draft plan broadly, noting that the international recruitment theme, as the choice of the Committee, seemed well targeted, stressing the need to ensure the attraction and retention of international students was not deleteriously impacted by the increase in scale over the last two years. Mohit Dhingra asked about the area of cyber security and whether this should be within the proposed plan given the later paper identified that we were misaligned with our risk appetite and residual risk levels on the risk register. KPMG stated that cyber had been an area that had been audited relatively recently. Ian Blachford highlighted that the new Executive Director of Digital and Technical Services would want to review this on appointment, and this work may be fast-tracked to be completed by the newly appointed interim. This would be followed up for the next meeting. Jonathan Chapman enquired about the student experience and possible 'deep dives' into a subject area. KPMG stated that this was a possibility that could be progressed for further consideration. Ian Blachford stated that there were a range of regulatory aspects that governed this aspect already and therefore we should consider those first and determine then if there was merit in the inclusion of this in the internal audit plan. This would be followed up ready for the next meeting. Vicki Sylvester noted that there were further changes to the ESFA funding regulations and requirements and that it may be prudent to reflect upon these and any risk exposure the University may face. It was agreed that this would be looked into, ready for the next meeting. <p>The report was received and noted with a further update to be presented to the next Audit and Risk Committee for approval.</p>
1921	<p>The Committee received for discussion the Annual Review of Fraud Prevention Policies AR/127/10 introduced by Ian Blachford, Chief Operating Officer, who highlighted that the policies were presented for their annual approval, with only minor changes made to the documents.</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Mohit Dhingra asked if the University had experienced any recent cases of fraud. Sally McGill commented that only minor issues have been raised regarding fraudulent use of credit cards, which were dealt with by the bank. <p>The report was received and noted.</p>
1922	<p>The Committee received for information the US Federal Loans Compliance Audit AR/127/11 noting the following main points:</p> <ul style="list-style-type: none"> As part of the University's participation in the Title IV Federal Student Aid program, which allows US students to enrol at our University and access student loans from the US Department of Education (US DoE), our external auditors (BDO) have to complete a Compliance Audit alongside the audit of our Financial Statements. This audit seeks to ensure that the University are administering the program effectively in terms of draw down and disbursement of loans to students and our administration processes. The findings of the report were highlighted and discussed by the Committee. <p>The report was approved.</p>
1923	<p>The committee received the Risk Management Framework – Risk Register and Risk Appetite Alignment AR/127/12 for information, noting the following:</p>

	<ul style="list-style-type: none"> Over the last few months, we have revised all of the high-level risk registers of the University to ensure that they are aligned to the new strategic plan. These have now been approved by the Board of Governors. We have also revisited our risk appetites against a refreshed set of subcategories. These have also now been approved by the Board of Governors. We need to ensure that the risks identified in the high-level risk registers, and the controls in place to reduce the level of risk, result in a residual level of risk that is in accordance with our declared risk appetites. If these do not align this may mean that the controls in place reduce the level of risk to lower than our appetite, meaning we may miss opportunities to undertake calculated risks or the controls in place reduce the overall level of risk, but not to an extent that they are in line with the level of risk appetite we have articulated – this means that we may be exposed to more risk than we have determined. Following this exercise, the majority of risk appetites aligned with the residual risk levels in the risk registers. This was not the case for three areas where there was a misalignment: 1) Vulnerabilities in IT infrastructure may result in a potentially successful attack on our critical IT assets compromising our business continuity and reputation of the University (Residual Risk = Significant and Risk Appetite = Avoid), 2) The evolving demands of the regulators, often introduced at pace, are not foreseen or responded to effectively, for our academic provision (Residual Risk = Moderate and Risk Appetite = Avoid) and 3) Changes in government policy that impacts upon the delivery of the Strategic Plan, are not foreseen or responded to effectively (Residual Risk = Major and Risk Appetite = Avoid). It was agreed that the University should focus upon aligning the vulnerabilities in IT risk controls to the stated risk appetite. The remaining two risk registers it was noted there was little more the University could do to align the risk appetite and the residual risk level in the risk registers. It was note that within the legislative compliance risk register, the UKVI requirements for students was a misaligned category. Further work would be undertaken by the university to bring this into line. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Jonathan Chapman commended the report for the useful insight it provided and identifying where the University is not aligned between risk appetite and residual risk levels. Mohit Dhingra highlighted that the IT vulnerabilities and other risks are one to watch especially whilst the new role for a Digital Director is currently vacant, as had been discussed earlier. Mohit Dhingra asked about the overlap between the UKV&I report later in the agenda and the misalignment of the UKVI risk register and risk appetite. Ian Blachford explained that UKVI regulations relating to university staff are aligned (which was the report later in the meeting). However, there is more work to be undertaken around the student side of the UKVI regulations. A mock audit on this had recently been undertaken and an action plan produced – this would come to the next Audit and Risk Committee. <p>The report was received and noted.</p>
1924	<p>The Committee received the Risk Management – Control Assurance Update AR/127/13, presented by the Chief Operating Officer, noting the following:</p> <ul style="list-style-type: none"> This report provides an update for the committee on the Operational Level Risk Registers and the implementation of the Risk Control Self Assurance Process (RCSA) The review of all operational risk registers has taken place and Risk Appetites applied to operational risk registers. A report will be provided at the next audit and risk committee to give an overview of risks outside of appetites. The RCSA process is now and ongoing process that continues for all School and Services. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Mohit Dhingra asked that Claire Mayer be thanked for the comprehensive report and observed that the report had clearly evolved and now provided some helpful trends. <p>The report was received and noted.</p>
1925	<p>The Health, Safety and Wellbeing Annual Report 2021-2022 AR/127/14 was introduced by Chief Operating Officer, Ian Blachford for approval by the Committee, noting the following points:</p> <ul style="list-style-type: none"> The annual report provides an outline of the main activities, progress and impact in the University approach to health, safety and wellbeing, using the Health and Safety Executive’s good practice model for the academic year 2021-2022. This annual report summarises significant management activities over the reporting period, and details University-wide statistical information regarding health, safety and wellbeing. Furthermore, the annual report outlines the developments for the forthcoming academic year, 2022-2023, and outlines the priorities identified to ensure that we continue to provide a safe, well-motivated and thriving staff and student community. This reflects not only compliance with statutory legislation and the University’s duty of care

	<p>to staff, students and others, but to make compliance and good practice by staff easier, more accessible, and more engaging.</p> <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Jonathan Chapman explained that the benchmarking data within this report was helpful and enquired about the University's culture of health and safety reporting. Ian Blachford said that reporting had increased especially over the last 3 or 4 years since Sue Emery had taken over the Health and Safety role. Reporting levels had improved due to her approachable attitude and common-sense approach, together with an increase in the number of near miss reports. <p>The Committee approved the Health, Safety and Wellbeing Annual Report 2021 – 2022 for onward submission to the Board.</p>
1926	<p>Review of performance of External Auditors by Audit & Risk Committee (DISCUSSION) AR/127/15</p> <p>A discussion took place regarding the evaluation of the performance of the External Auditors, as per the terms of reference of the committee. It was noted that:</p> <ul style="list-style-type: none"> Jonathan Chapman stated that the auditors were aware of issues and accepted where they had areas for improvement. The impact of their missing deadlines affected the governance committees which resulted in extra meetings having to be arranged. Sally McGill commented that any changes in audit expectations needed to be managed as these also resulted in extra meetings and more work to be completed by the auditors. The value of auditors being on site was noted, rather than completing the audits off site. This allowed them to learn how the organisation operates more effectively. Feedback suggested that KPMG believed Staffordshire University was an outlier in terms of its calendar of activity in comparison to other clients. However, Sally McGill explained that the audit deadlines only varied slightly from other organisations. It was agreed that subsidiaries, including the annual review document and marketing material should not be included in the main timetable of deadlines. These will be included in a separate workstream to ease the pipeline of deadlines in future.
3 FOR INFORMATION	
1927	<p>*Outstanding actions against earlier internal audit reports* AR/127/16 was presented by the Chief Operating Officer:</p> <p>This report outlined the progress in the completion of the outstanding actions arising from previously considered internal audit reports and aims to provide assurance and transparency to the Audit and Risk Committee that issues identified are completed.</p> <ul style="list-style-type: none"> Jonathan Chapman enquired as to whether follow up audits took place by the internal auditors to ensure that there was transparency when things were determined as closed. Louise Bostock confirmed that when closing out audit actions they look at evidence to establish whether areas of concern have been implemented as part of a follow up audit report. Mohit Dhingra asked that if a revised date had been agreed, it would be helpful to see on future reports the previous revisions, in order to gain a complete picture of the delay. This was agreed. <p>The report was received and noted.</p>
1928	<p>Annual Procurement Report AR/127/17 was introduced by the Chief Financial Officer:</p> <ul style="list-style-type: none"> This paper provides an update on the activity and outcomes for the financial year 2021 -2022. Twenty-two strategic tendering activities have been completed/commenced during the 2021/22 period which represents a slight decline compared to the previous year. Expenditure was lower compared to the previous period as major capital build projects, specifically the Catalyst and the Nursery and Forest School, came to a conclusion, however we have still seen some capital expenditure coming through in the 21/22 period of around £11 million which has been included in the KPI calculations. In July 2022, procurement activity was included for the first time in the Strategic Priorities of the University, specifically achieving Carbon Net Zero by 2050 for scope 3 (carbon emissions generated by suppliers and consumers) and the target of increasing the % of impactable spend within the Staffordshire postcode area from 11% (2020-21) to 20% in 2026-27. Further reports on the actions proposed to achieve these objectives will be submitted to Sustainability and Resources Committee in due course.

	<ul style="list-style-type: none"> The purpose of this report in the annual report against a set of key metrics, some of which are also reported as part of the Higher Education Procurement Value Survey. The performance against these metrics is set out in Appendix A. A benchmarking report for the Procurement Value Survey will be received later in the year which will compare the University's results to those of other institutions. <p>The report was received and noted.</p>
1929	<p>The UKV&I Staffing report AR/127/18 was received for information, with the Committee noting the following points:</p> <ul style="list-style-type: none"> Staffordshire University is approved as a Grade A sponsor by the Home Office with a Skilled Worker Licence enabling the University to employ individuals requiring sponsorship from outside the UK and Ireland and a Temporary Worker Licence which allows the University to sponsor researchers and visiting academics for up to 24 months. The University currently sponsors 29 members of staff on Skilled Workers visas and will shortly engage 1 individual on a Temporary Worker visa. As a result of the risks of non-compliance with UK Visas and Immigration's (the UKVI) regulations, an annual audit has been put in place to ensure ongoing compliance, with Shakespeare Martineau's, who provide immigration advice to the University, undertaking this audit on the University's behalf. The audit focussed on compliance with the University's sponsorship duties, including reporting, record keeping, migrant worker monitoring and the University's right to work checking processes. Files for 12 sponsored employees were reviewed, along with right to work checks for 54 employees. Interviews were also conducted with key personnel of the University's sponsorship licences and two sponsored members of staff. The University achieved a score of 18/20 in the audit which was higher than the previous audit (17/20). The auditors concluded that the University's HR processes demonstrated an excellent level of compliance with sponsor duties and UKVI regulations, with the University having established, robust and effective processes to ensure ongoing compliance, also commenting that the University compared exceptionally to other HEIs in the sector. Minor recommendations were made by the auditors, including ongoing investment in training and future audit to ensure ongoing compliance. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> It was noted that this had been a strong performance by the University in relation to its UKVI staffing compliance duties. <p>The report was received and noted.</p>
4 ADDITIONAL MATTERS	
1930	There were no additional matters .
1931	<p>Items to be referred to Sustainability and Resources Committee</p> <p>INFORMATION</p> <ol style="list-style-type: none"> Minute 1919 - Strategic and Operational Planning: SITs Transformation Process AR/127/03 Minute 1919 - Data Management – Student Loans Company (AR127/04) Minute 1919 - Key Financial Controls: Budgetary Control and Financial Forecasting AR/127/05 Minute 1919 - UUK Code of Management of Student Housing AR/127/06 Minute 1920 - TRAC Submission AR/127/08
1932	<p>Items to be referred to Board of Governors</p> <p>APPROVAL</p> <ol style="list-style-type: none"> Minute 1925 - Health, Safety and Wellbeing Annual Report 2021-2022 AR/127/14
1933	Next meeting: Weds 7 June 2023, CA105/6 Catalyst, Leek Road