

AUDIT AND RISK COMMITTEE
Tuesday 27 September 2022

CONFIRMED MINUTES

Present:

Peter Thompson (Chair)
James Hedges

Simona Fionda
Dr Alix Pryde

Celia Gough

In attendance:

Professor Colin Bailey
Karen Kröger

Dr Rachel Bence
Dr Nadine Lewycky

Dr Sharon Ellis
Charles Medley [Internal
audit]

Jonathan Morgan

Dr Catherine Murray

Janice Trounson

Apologies:

James Aston [External audit]

Sarah Durrant [External audit]

Neil Thomas [Internal audit]

Welcome

2022.001 The Chair welcomed everyone to the meeting.

Minutes of the meeting held on 23 June 2022 [ARC2022/01]

2022.002 The Committee **confirmed** the confidential and non-confidential minutes of 23 June 2022.

[a] Minute 2021.051 should be made confidential.

Action: [a] Committee Secretary

Matters arising [ARC2022/02]

2022.003 The Committee **noted** the matters arising from the meeting held on 23 June 2022. The following points were noted in the discussion:

External risks

[a] The Committee would consider the three macro publications as part of its discussion of strategic risks under item 4.

External audit plan and fees

[b] The Chief Financial Officer (CFO) had spoken with BDO regarding the fee increase. Once BDO had completed their first audit for us, efficiencies could be identified and a better understanding developed of the implications of the change in standards. The CFO would hold a further conversation with BDO in December prior to a paper coming to the Committee in the new year.

Annual schedule of business

- [c] Council would receive the annual schedule of business next week which would be shared separately with co-opted members. There was scope for two deep dives at the meetings in the new year. The Committee was invited to consider potential deep dive areas drawing from the external risk papers and the current strategic risks that were amber rated. The University Secretary would send an email to the Committee following the Council discussion.

Actions: [c] Chief Governance Officer and University Secretary

Strategic risk register update [ARC2022/03&04]

2022.004 *Minute 2022.004 is confidential.*

Progress on actions from the 2021 management letter [ARC2022/05]

2022.005 The Committee **noted** progress on the implementation of the external audit 2021 management letter recommendations. The following points were noted in the discussion:

- [a] Where we had decided not to implement recommendations from last year's audit, BDO would review our decisions and could follow up with their own recommendations.

Interim comments on the 2022 audit [Oral report]

2022.006 The Committee **received** an oral update on the progress of the audit. The following points were noted in the discussion:

- [a] The final audit was in progress with the external auditors onsite part of the week. No concerns had been raised at this point.
- [b] We were working through two significant non-operational movements. The finalisation of the 2020 valuation of the USS pension scheme had resulted in the liability increasing by £96m. The re-valuation of the loan notes would result in a credit as a result of the change in interest rates. The net difference between the two items would be c.£50m debit.

Draft narrative for the financial statements 2021–22 [ARC2022/06]

2022.007 The Committee **discussed** the initial draft of the annual report for the year ended 31 July 2022. The following points were noted in the discussion:

- [a] Strategic risks had been included in the section on strategy rather than risks and uncertainties. The link between the two sections would be more clearly referenced.
- [b] The Committee asked whether the narrative had been drafted with a view of the priorities of the primary target audience. The front of the accounts was written for the banks as we communicated through other means with our regulators and wider stakeholder community.

- [c] The Committee asked whether the geo-political risks in relation to the war in Ukraine were heightened by the relationship between China and Russia. Diversification of our international student recruitment was a central part of our strategic growth and should be referenced.
- [d] The Committee commended management on the drafting of the public benefit section and use of examples throughout.
- [e] The finalised audit would be considered by the Committee in November. A virtual meeting may be convened in the interim should any technical issues need to be addressed.

Actions: [a], [c] Chief Financial Officer

Internal audit plan 2022–23 final draft [ARC2022/07]

2022.008 The Committee **considered** the final draft of the 2022–23 internal audit plan. The following points were noted in the discussion:

- [a] The Committee discussed the sequencing of audits in the five-year plan. The decision had been made not to prioritise cyber security because the Committee was already receiving bi-annual reports. The Committee asked for the audits on information governance and security and staff engagement to be prioritised for next year.
- [b] The Committee said that the external governance review had made recommendations for improving Council's oversight of academic assurance. The Committee said that it may wish to revisit this issue once actions had been agreed and implementation started. Deep dive topics would be identified in the next six months which could reveal issues for testing by internal audit.
- [c] The Committee **approved** the internal audit plan for 2022–23 but would revisit the sequencing of audits in the later years.

Action: [a] KPMG

Internal audit progress report [ARC2022/08]

2022.009 The Committee **noted** the internal audit progress report. The following points were noted in the discussion:

- [a] The outstanding report on benefits realisation was being finalised and would be shared with the Committee outside of the meeting.
- [b] There were no overdue recommendations at this time.

Planned internal audit reports [ARC2022/09]

2022.010 The Committee **considered** the planned internal audit reports. The following points were noted in the discussion:

Capital planning

- [a] The audit had been rated as 'significant assurance with minor improvement opportunities' (amber-green), with two medium and three low level recommendations, in line with management expectations.
- [b] The Committee asked whether recommendation 2.1 was sufficient to improve the strategic focus of the Estates and IT Strategy Boards. New infrastructure governance processes had been approved including the introduction of an infrastructure strategy group responsible for strategic oversight. The papers on the new governance structure would be shared with the Committee.
- [c] The Committee asked whether the infrastructure strategy group would receive external input. The group would run as a special meeting of the Senior Executive Team on a quarterly basis with experts brought in as required. Research institutes and some Schools had advisory boards with external members.

Master planning

- [d] The audit had been rated 'partial assurance with improvements required' (amber-red). Benchmarking had identified a number of gaps in the content of the master plan. Governance documents relating to the committee structure needed to be updated.
- [e] The Committee asked whether the target date of December 2023 for the implementation of recommendation 2.2 on the content of the master plan was correct. There were two strands of work relating to updating the current master plan and the development of a university wide plan so it was possible that two deadlines had been set. The risks in relation to the timescales were low as the additions would enhance the masterplan. KPMG would confirm the timescale for implementation.

Donors and donations

- [f] The audit on the design and operating effectiveness of controls within the donors and donations process had been rated 'significant assurance with minor improvement opportunities' (amber-green), with some minor recommendations. The due diligence process was considered to be largely robust but sample testing had identified an instance in which due diligence questions had not been completed. Significant progress had been made in this area in a short space of time.

*Action: [b] Chief Operations Officer;
[e] KPMG*

Cyber security bi-annual report [ARC2022/10]

2022.011 *Minute 2022.011 is confidential.*

Whistle blowing cases since the last meeting

- **Annual summary of disclosures 2021–22 [ARC2022/11]**

2022.012 *Minute 2022.012 is confidential.*

Fraud/financial irregularities occurring since the last meeting [Oral report]

2022.013 *Minute 2022.013 is confidential.*

Committee terms of reference, membership and effectiveness [ARC2022/12]

2022.014 The Committee **noted** the terms of reference, membership and effectiveness. The following points were noted in the discussion:

- [a] The Committee asked for the minutes to be circulated before the next meeting.

Action: [a] Committee Secretary

Audit and Risk Committee annual report 2021–22 draft 1 [ARC2022/13]

2022.015 The Committee **noted** the first draft of the Audit and Risk Committee annual report 2021–22. The following points were noted in the discussion:

- [a] The change in external audit provider could be more clearly indicated.
- [b] Reference to the Committee’s discussions on wider external risks should be included in the risk management section.
- [c] The continuous nature of Peter Thompson’s tenure on the Committee could be made clearer. Celia Gough’s term should date from January 2022.
- [d] Members were invited to send any further comments to the Committee Secretary ahead of the next meeting.

Actions: [a], [b], [c] Committee Secretary

Draft agenda for the next meeting [ARC2022/14]

2022.016 The Committee **noted** the draft agenda for the next meeting on 09 November 2022.

Dates of meetings in 2022–23:

- Wednesday 09 November 2022 at 1500 hours, Rooms 2.16/2.17, Department W.
- Monday 13 March 2023 at 1500 hours, TBC.
- Thursday 22 June 2023 at 1500 hours, TBC.