

MINUTES

AUDIT AND RISK COMMITTEE, AR-124

Date:	Tuesday 15 March 2022
Time:	1500 for external Committee Members and Auditors; 1530 for all other attendees
Location:	CA105/6, Catalyst building, 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	External Member	P (T)
Mohit Dhingra	Co-opted Committee Member	P (T)
Kevin Gould (Chair)	External Member	P (T)
Baljinder Kuller	External Member	P (T)
In attendance		
James Aston	BDO (external audit)	A
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)
Clare Mayer	Business Risk Manager	IA (T)
Sally McGill	Chief Financial Officer & Deputy Chief Executive	IA (T)
Lauren Rooke	Assistant Clerk to the Board of Governors (minutes)	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	
1855	Apologies for absence were received from James Aston of BDO.
1856	There were no new Declarations of interest .
1857	The Minutes of the last meeting of the Committee , 25 January 2022 AR/124/01, were signed as a true and accurate record.
1858	Matters arising: <ul style="list-style-type: none"> • Minute 1841 – Internal audit plan 2021-22 – it was noted that the finalised scope for the Student Experience internal audit would be circulated by email following KPMG's meeting with the Exec lead the day following the meeting. • Minute 1844 – US federal loans compliance audit – it was noted that the University had received confirmation on 9 February 2022 that the audit had been closed. • Minute 1845 – Fraud prevention policies – it was noted that since the meeting, Lloyds Bank had further strengthened their anti-money-laundering processes around the paying-in of cash in-branch.

	<ul style="list-style-type: none"> • Minute 1851 (b) – Any additional matters (reputational risk) – it was noted that following the last Committee meeting, the Board had been updated by email on 28 January 2022 on the position with this, and to note a further verbal update.
1859	The *Overview of annual Committee business 2021-22* AR/124/02 was received for information.
2 FOR DISCUSSION AND/OR APPROVAL (marked below accordingly)	
1860	<p>The Committee received for approval the following internal audit report 2021-22:</p> <ul style="list-style-type: none"> • Key Financial Controls (<i>significant assurance</i>) AR/124/03 was introduced by Louise Bostock, who highlighted the focal points of the report and its parameters. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould prefaced the discussion by highlighting that two internal audit reports scheduled for this meeting had not been delivered, and that during its discussion with KPMG prior to the meeting (without the presence of internal University staff), the Committee had agreed with KPMG that the Chief Operating Officer would meet with Andrew Bush and Louise Bostock regularly until at least the end of the academic year, to ensure that the internal audit plan was delivered on schedule. • Jonathan Chapman commended the Finance team, noting the small number of (low-level) management recommendations in the report and asked about persistent “reoffenders” in terms of non-PO suppliers, and about write-offs. Sally McGill confirmed that any persistent reoffenders were dealt with and clarified that the write-off related to former (mainly international) partnerships where relationships had deteriorated, and that these had been provided for within the University’s accounts. • Mohit Dhingra asked about the self-approval process for POs and Louise Bostock confirmed that this had been explored and presented no issues in practice, with Sally McGill clarifying that the few exceptions, when the same employee had both raised and approved an order, related to instances where an employee had left the University. • Progress report (<i>Clerk’s note: this was circulated by email by the Chair of the Committee prior to the meeting</i>) This report was introduced by Andrew Bush, who talked through the schedule, noting that two of the audit reports planned for this Committee had not yet been presented in draft format, and noted his concern about the timing of the Digital Infrastructure and Security report, which was scheduled for the June 2022 Committee. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould suggested that the Committee consider moving the Digital Infrastructure report to await the arrival of the new Pro Vice Chancellor – Digital Transformation, but Ian Blachford highlighted that given recent global events and the increased cybersecurity risk it would be preferable to proceed as per the agreed schedule in the audit plan. The University would ensure that staff were available for this audit to run as per schedule. • Ian Blachford further noted the importance of adherence to the agreed audit planning schedule of Exec lead, UEB and Audit Committee sign-off, highlighting that two of the audit reports scheduled for this Committee had not yet been received in draft format, and that this would mean an unavoidably bulky agenda at the June Committee. <p>The Key Financial Controls internal audit report was approved.</p>
1861	<p>The Committee received for approval the TRAC 2020-21 submission - executive summary AR/124/04, plus a document on the Background to TRAC AR/124/04AppxA and the TRAC 2020-21 presentation AR/124/04Appx. (An Assurance reminders checklist AR/124/04AppxC was available on SharePoint.) The Chief Financial Officer & Deputy Chief Executive introduced the paper, noting the following main points:</p> <ul style="list-style-type: none"> • The TRAC return was submitted annually to OfS. The 2020/21 return was reviewed and approved by the University TRAC Steering Group on 1 February and due to be submitted to OfS by 31 March 2022. • It aimed 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 formed the basis for the calculation of the University’s Estates and Indirect cost recovery rates, used for the University’s research grant applications to Research Councils. • The TRAC return required 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 was added (Margin for Sustainable Investment - MSI) which aimed to present the full economic cost of the university’s activities.

	<ul style="list-style-type: none"> • A full presentation on TRAC background had been incorporated as Appendix A, summarising the TRAC methodology, processes, purpose, and use and illustrating the relationship between the TRAC Return and the University Statutory accounts. It had been presented to the TRAC Steering group on 8 December 2021 • The 2020/21 return showed an overall static recovery of full economic costs of 91.0%, the same as last year. Publicly funded Teaching and Research recovery were broadly in-line with last year (92% and 27% respectively) with some significant fluctuations in Non-Publicly funded Teaching (153% in 20/21, 124% in 19/20) and Other Activities (93% in 20/21, 110% in 19/20). • The impact of the MSI added costs of £20.3m to this year, compared to £17.6m in 2019/20, 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 the 5-year plan, respectively. • A presentation summarising the main 2020/21 TRAC Return results had been incorporated in Appendix B. • The Assurance Reminders Checklist (Appendix C, available on SharePoint) had been fully reviewed and compliance to all items had been confirmed. Although the checklist had been a source of reference for a number of years, newly introduced compliance requirements for 20-21 meant that these documents were submitted to the TRAC approval committee for information. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • Kevin Gould highlighted that the internal auditors' 3-yearly assurance review (last done in March 2021) would provide extra assurance for the Committee. • Sally McGill noted that research had been a non-income-generating area for several years and that Executive continued to discuss this regularly. • Sally McGill further noted that several months after submission we would receive the benchmarked TRAC results for our comparators, which was helpful in terms of clarifying how others were performing. • Andrew Bush noted his work as part of a major review of TRAC several years ago, and that analysis showed that ca. 50% of HEIs were using TRAC data following reporting. • Mohit Dhingra asked for clarification on the MSI (Margin for Sustainable Investment), and this was given by Sally McGill, and about prior-year benchmarking - Sally McGill agreed that this could be analysed in more detail once received. <p>The TRAC return submission 2020-21 was approved, with the Committee agreeing that this would be referred to Sustainability and Resources Committee for information.</p>
1862	<p>The Committee received for discussion the Risk Management Framework Update AR/124/05, introduced by the Business Risk Manager, who highlighted the following main points:</p> <ul style="list-style-type: none"> • This report provided an update for the Committee on the recent review of the University High-Level and Operational-Level Risk Registers and the implementation of the Risk Control Self Assurance Process (RCSA) • The operational level risk registers had been through the quarterly cycle with the focus within the reviews being to ensure full completion of the Risk Control Self Assurance Process. • With the development of the new Strategic Plan, the Five-Year Business Plans and the Enabling Strands, the University's risk appetite and risk registers would be refreshed accordingly. All High-Level Risk Registers 1-18 had been reviewed by UEB and appeared elsewhere on the agenda. The implementation of the RCSA process had continued for all School and Services. • The Staffordshire University London risk register would be overhauled as a consequence of change in leadership and reporting structures and so would join the process later, once this had been completed (led by the Chief Operating Officer). <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> • Mohit Dhingra asked about trends in data and analysis of this over time (and of actions arising from risk controls) and this was clarified by Clare Mayer. • Jonathan Chapman commended the current robust approach and noted that it was healthier to see reds and ambers as opposed to over-optimistic "greenwashing". Clare Mayer highlighted that many of the red ratings related to revised wording or recategorization.
1863	<p>The Committee received for approval the University-Level Risk Registers (HLRRs) AR/124/06, presented by the Chief Operating Officer, who noted that following principal points:</p> <ul style="list-style-type: none"> • This paper presented to the Committee the latest version of the University-level risk registers (HLRRs), with the Committee being asked to note several changes as set out in the cover sheet of the report, including some changes of ownerships, reduction in residual risk ratings and the addition of content in some areas/sharpening of focus.

	<ul style="list-style-type: none"> Audit and Risk Committee was asked to approve these changes, for onward discussion and approval at Board of Governors on 6 April 2022. <p>Members and attendees commented as follows:</p> <ul style="list-style-type: none"> Jonathan Chapman asked about the likely risk given current position with Ukraine and Russia. Ian Blachford noted that Executive and UEB had discussed this, with the Cybersecurity HLRR covering the issue, and Sally McGill gave a brief update on the University's position with students and staff, its investment portfolio and pension pot fund indexing, in relation to the conflict and the countries directly involved. It was highlighted that no issues of friction had been reported, either directly or via the Students' Union, and that the established routes of Prevent/Channel would be used if required. Kevin Gould asked about whether there should be a change in risk on the Changes in Government Policy HLRR and Ian Blachford clarified that the recent announcements had been expected for some time and were aligned to the current level of risk identified. The level of risk itself had not increased but now there was now more information available about likely direction. Mohit Dhingra asked about the Augar report and Ian Blachford noted that this could be circulated (consultations were currently ongoing). Jonathan Chapman asked for clarification on the Estates and Infrastructure HLRR. Ian Blachford gave the examples of the University's Shrewsbury and Lichfield sites, where risks remained as it was not yet completely clear who was responsible for what. (A further example of fire doors was given, as per a recent report to Sustainability & Resources Committee, where the level related to a specific technical risk rather than the University's appetite). Mohit Dhingra noted that these registers gave a useful transparent view of the relatively cautious approach that the University was taking across the board. Kevin Gould echoed this and noted his request to map the risk appetites to the HLRRs and Ian Blachford noted that this could be reflected upon post the Strategic Plan approval. Mohit Dhingra asked about the appropriateness of the risk level on research, given previous discussions on this. Sally McGill agreed that there needed to be frank conversation around the University's research profile within the context of the academic strategy. (This would be covered on the 28 April agenda.) Ian Blachford added that REF results would be published w/c 9 May 2022 and this may impact upon the risk rating. Kevin Gould asked about the ESFA (Apprenticeships HLRR), and Sally McGill noted that the ESFA would shortly be carrying out a review, so assurance would be provided through this. Ian Blachford highlighted the parallels with Ofsted and noted that this had been retained on the HLRR as a risk so that quality of, and recruitment onto, Ofsted apprenticeships provision was not undermined. Jonathan Chapman asked about risk 656 on HLRR 16 (Sustainability) relating to the likelihood of flooding. Ian Blachford confirmed that this currently happened at least once every winter in certain accommodation blocks and was well-managed by the relevant teams. <p>The Committee approved the University-level Risk Registers for formal approval by the Board of Governors.</p>
1864	<p>The Committee received for discussion the OfS Financial Return 2020-21 Review AR/124/07, presented by the Chief Financial Officer & Deputy Chief Executive, who noted that the paper outlined an issue highlighted by the OFS and a prior year error from the 2020/21 Financial Statements, following their review of the University's Annual Financial Return (AFR) for 2020/21. KPMG, external auditors for the 2020/21 Financial Statements, had been asked to respond and their comments were noted in the paper.</p> <p>There were no comments from Members or attendees.</p>
3 FOR INFORMATION	
1865	The Committee received for information the *Outstanding actions against earlier internal audit reports* tracker AR/124/08.
1866	The Committee received for information the Capital Funding Monitoring Return AR/124/09.
1867	The Committee received the update on the internal auditors' onboarding process AR/124/10.
4 ADDITIONAL MATTERS	
1868	<p>How have we made a positive impact today?</p> <p>It was agreed that a continued focus on HLRRs to ensure that the University was well-managed and responding to change was crucial. Internal audits would usually help ensure a read-across and the Key Financial Controls report had provided useful assurance. It was also highlighted that open communication with the Students' Union was helping broaden Committee Members' understanding of the student experience significantly. (Three members of the Committee had recently met with Hannah Blackburn and Anthony Wallace.)</p>
1869	There were no additional matters .

1870	Items to be referred to Sustainability and Resources Committee: Information a. Minute 1861 - TRAC return 2020-21
1871	Items to be referred to Board of Governors: Approval a. Minute 1863 – University-level Risk Registers (HLRRs)
1872	Next meeting: Tues 7 June 2022 (Catalyst building, Leek Road)