

CONFIRMED MINUTES OF THE MEETING HELD ON 25 NOVEMBER 2021	
PRESENT: via video conferencing	
Ms J Allen (Chair)	Mr S Kothari
Mr I Hall	Mr J Warner
Mr M Lilley	
APOLOGIES:	Ms V Brown
IN ATTENDANCE:	AGENDA ITEM
Mr A Bush, KPMG	All except 1, 18, 19 and 20
Ms M Boryslawskij, University Secretary	All
Ms L Bostock, KPMG	All except 1,18, 19 and 20
Mr R Calvert, Deputy Vice-Chancellor Strategy and Operations	All except 1 and 2
Ms Katy Doherty, Grant Thornton	All except 1,18, 19 and 20
Ms D Harry, Chief Finance and Planning Officer	All except 1 and 2
Mr M Redfern, Grant Thornton	All except 1,18, 19 and 20
Prof. D Shepherd, Pro-Vice-Chancellor for Teaching and Learning	11
Ms K Stead, Head of Planning, Risk and Insurance	8 and 9
Ms A Temple, Governance Senior Adviser (Committee Secretary)	All

Agenda item 1	Private Meeting of Committee Members	Minute Ref A/5/21/1
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1.1 The Committee met privately prior to the arrival of the auditors, the Deputy Vice-Chancellor Strategy and Operations and the Chief Finance and Planning Officer.

1.2 The following was discussed:

- i. *was it possible to circulate papers to members earlier?* It was noted that the target for circulation of the meeting book was 7 days before the meeting. The meeting book had been circulated on Thursday 18 November 2021. The need to manage the flow of business from University Leadership Team to the Committee meant that earlier circulation of the meeting book would not be possible. It was noted that, as previously agreed, where internal audit reports were available prior to circulation date they would be shared with the Committee asap to allow members to review;
- ii. a member requested that paper authors should spell out acronyms;
- iii. members requested a briefing to help them understand the accounting treatment applied to the three University pensions schemes. It was agreed to ask the Chief Finance and Planning Officer to run a session for members of the Board of Governors to provide an overview of each pension scheme including the particular risks associated with each scheme. The Chair requested that this should take place prior to the joint meeting of ARC and Finance and Employment Committee (FEC) to consider the Annual Report and Financial Statements;
- iv. a member observed that the National Student Survey (NSS) was an area of risk for the University and asked where the University's detailed response plan would be considered. It was noted that, following the Board strategy event, the Vice-Chancellor would be including an update on NSS in his report to the Board on 7 December 2021. The action plan to respond to the NSS would also be considered by Academic Board and Academic Assurance Committee. Members were assured

- that appropriate action was being taken to report to the Board on the University's approach to the NSS;
- v. members agreed that a session should take place – possibly prior to the 7 December 2021 Board meeting which was due to be held face-to-face – to consider the future programme of work for the Committee. *Post meeting note*: session scheduled for Wednesday 26 January 2022 as part of the meetings due to be held that day.

Agenda item 2

Private Meeting of Committee Members and Auditors

Minute Ref A/5/21/2

2.1 The Committee met privately with the auditors prior to the arrival of the Deputy Vice-Chancellor Strategy and Operations and the Chief Finance and Planning Officer. Minutes confidential to the Committee were prepared

2.2 The Committee noted that assumptions were required in the valuation of the Local Government Pension Scheme (LGPS) at year-end and the scheme's actuary, Mercers, was asked by management to calculate the FRS102 valuation. Grant Thornton had reviewed the assumptions applied in the FRS102 calculation for reasonableness based on industry knowledge and their in-house actuaries. In line with the previous year, management had adopted alternative assumptions rather than the ones provided originally by its actuaries, Mercers.

It was noted that the University had approached Mercers to calculate the valuation based on the University's assumptions and this had been compared to the valuation based on Mercers assumptions. It was further noted that the accounting standard supported the use of management assumptions; the internal and external auditors also confirmed that they were seeing an increasingly varied approach towards assumptions across the sector. It would be possible for Grant Thornton to benchmark the standard Mercers assumptions against the assumptions used, although this wouldn't show the impact on valuation. *Post meeting note*: The Chief Finance and Planning Officer confirmed that the University held information concerning the variance between the valuations (i.e., those calculated using (i) Mercers assumptions and (ii) the University's assumptions) and would present this information as part of the Board of Governors pensions briefing (minute A/5/21/1.2iii refers).

This would be discussed further in the meeting with the Chief Finance and Planning Officer under agenda item A/5/21/17.2.

It was noted that matters related to assumptions applied to the pensions valuation was an area for consideration by Finance and Employment rather than Audit and Risk Committee. However, it was appropriate for ARC to consider the risk that the judgment applied could affect the University and to do this the Committee needed to understand how the judgement was arrived at and the risks.

- 2.3 In response to questions, Grant Thornton confirmed that:
- the most audit effort related to income and revenue, which was the most significant risk area; and they had not identified any concerns in relation to income and revenue;
 - the most significant area of judgement related to the pension schemes;
 - loan interactions were a significant risk area and Grant Thornton had assessed whether borrowing had been treated appropriately; and
- there were forthcoming changes to accounting standards on revenue and leases (International Financial Reporting Standard 15 and 16 respectively) and these may result in changes to FRS102 and then amendments to the Statement of Recommended Practice ("SORP").

Agenda item 4

Declaration of Interests

Minute Ref A/5/21/3

3.1 None.

Agenda item 5.1
and 5.2
Paper Ref
A/4/21/M

Minutes of Previous Meeting held on 30 September 2021

Minute Ref A/5/21/4

- 4.1 The minutes and the confidential minutes of the meeting held on 30 September 2021 were approved subject to amending minute A/4/21/10.6.2 to:

was there any possibility that remedial work to existing learners' records would not be accepted by the ESFA and what was the potential financial risk of this? There were a number of areas which could be remediated in existing learners' records in order to ensure full compliance with ESFA requirements, including where information was held but not in the right way. Mr A Bush, KPMG, noted that an ESFA audit would review the previous year's records and it would be possible to address those records retrospectively where learners were still at the University. It may be more difficult if learners had left the University. **Management indicated that it was difficult to quantify the financial risk exposure associated with the possible implications of an ESFA audit;**

Agenda Item 7

Chair's Business

Minute Ref A/5/21/5

- 5.1 The Chair observed that a number of regulation changes were expected to be forthcoming from the Office for Students during the next year and it would be important to consider whether these had any impact on the business of the Committee. It was suggested that this could be considered at the agenda planning session (A/5/21/1.2v refers).

Agenda Item 8
Paper Ref
A/5/21/8
confidential

Corporate Risks Update

Minute Ref A/5/21/6

- 6.1 Ms K Stead, Head of Planning, Risk and Insurance presented a report on risk management. The Committee noted that a review of the corporate risk register had been undertaken and an updated risk register and heatmap had been produced (Appendix 1). It noted that the risk register had been updated to reflect a number of changes in personnel.
- 6.2 The Committee noted that a medium priority recommendation from the May 2021 internal audit of risk management was to review and update the University's risk appetite. The following was noted:
- i. members were asked to share any examples of good practice in relation to risk appetite statement that they had seen either in the HEI sector or other sectors by 3 December 2021;
 - ii. in relation to the development of the risk appetite statement a member observed that it was important for the Board of Governors to have the opportunity to debate the content of the risk appetite and then approve the statement at a further meeting once the debate had been reflected in the statement;
 - iii. the Chief Finance and Planning Officer observed that it would be useful to have an agreed risk appetite statement in place prior to the Board considering a number of FSP projects.
- 6.3 It was agreed that the Board should consider the draft risk appetite statement at its 8 February 2022 update day, following this ARC would consider this on 10 March 2022 and the statement would then be submitted to the Board on 29 March 2022 for approval.
- 6.4 A minute confidential to the Committee was recorded.
- 6.5 A minute confidential to the Committee was recorded.

<p>Agenda item 9 Paper Ref A/5/21/9 confidential</p>	<p>Commercial Risk</p>	<p>Minute Ref A/5/21/7</p>
<p>7.1 The Committee received a report which appraised the University's current approaches to commercial risk management. Representatives from a number of areas of the University contributed to the development of the report.</p>		
<p>7.2 A minute confidential to the Committee was recorded.</p>		
<p>7.3 A minute confidential to the Committee was recorded.</p>		
<p>7.4 A member commented that the report had provided a useful insight into the University's approach to commercial risk management and thanked the Head of Planning, Risk and Insurance for her work in compiling the report.</p>		
<p>Agenda Item 10 Paper Ref A/5/21/10</p>	<p>Assurance of Data Returns</p>	<p>Minute Ref A/5/21/8</p>
<p>8.1 The Committee received a report on the data returns submitted by the University to the Higher Education Statistics Agency (HESA), the Student Loans Company, the Office for Students, Research England, and other funding bodies.</p>		
<p>8.2 The Committee noted that:</p> <ul style="list-style-type: none"> i. all data returns for the 2020/21 academic year had been completed by the required deadline; ii. the impact on data returns from the pandemic had been less dramatic in the last six months, with regulator expectations of providers returning to normal. All usual data returns had been required, and the deadline allowances seen in 2019/20 had not been repeated, with the exception of the extended deadline for submission of the Annual Report and Financial Statements which had remained in place for 2020/21; iii. HESA had written to all providers in September 2021 to provide an update on the delayed Data Futures programme. Data Futures aimed to move to in-year collection of data from providers rather than the current end-of-year process. The Student Data Futures coding manual was published in March 2020 and updated in February 2021, with the intention that the 2022/23 collection would be an annual collection using the Student Data Futures data model, with sign-off in September 2023. HESA were then working on the approach for in-year data collection for the 2023/24 collection. In England, this was dependent on the regulatory burden review consultations expected later in 2021. The University was monitoring the potential implications for the University, which may include a significant resource burden. 		
<p>8.3 The purpose of the report was to support the Committee to provide an opinion on the adequacy and effectiveness of the University's arrangements for the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loan Company, the Office for Students, Research England, and other funding bodies as part of its annual report (report A/5/21/18).</p>		
<p>Agenda item 11.i</p>	<p>Internal Audit Progress Report</p>	<p>Minute Ref A/5/21/9</p>
<p>9.1 KPMG indicated that planning for the 2021/22 reviews was on track. Discussions were ongoing with managers in one area in relation to the timing of a particular audit.</p>		

Agenda item 11.i
Paper Ref
A/5/21/11.i

Internal Audit Report: Teaching Quality

Minute Ref A/5/21/10

- 10.1 Prof. D Shepherd, Pro-Vice-Chancellor for Teaching and Learning joined the meeting for the report.
- 10.2 The Committee received the 2020/21 Teaching Quality internal audit report, which had been rated ‘significant assurance with minor improvements required’. It noted that the University had undertaken significant work to learn lessons from the sudden change to course delivery required in response to the Covid-19 lockdowns and had undertaken measures to ensure that teaching quality was maintained.
- 10.3 Prof. Shepherd indicated that the report had been helpful. He noted that that action set out under recommendation one in relation to roles and responsibilities and lines of accountability was on target for completion by the end of 2021 and there were no concerns about achieving implementation of the other recommendations.

Agenda item 11.ii
Paper Ref
A/5/21/11.ii

Internal Audit Report: Academic Work Planning

Minute Ref A/5/21/11

- 11.1 The Committee received the 2020/21 Academic Work Planning (AWP) internal audit report, which had been rated ‘significant assurance with minor improvements required’. It noted that the University had made significant progress in implementing a more consistent AWP process, supported by documented procedures, and a focus on communication and consultation with Colleges to help secure buy-in from staff across the University. KPMG had identified opportunities for further developments to improve the AWP process.
- 11.2 In response to a question about whether any benchmarking information concerning work planning was available. KPMG noted that sector studies on work planning indicated that it was gaining popularity in the HE sector. The main challenge around work planning was ensuring staff engagement and addressing concerns raised by Trade Unions. Appendix A of the report provided information on the extent to which staff were utilised in each College.

Agenda item 13
Paper Ref
A/5/21/13

KPMG Annual Report to the Vice Chancellor and the Board of Governors 2020/2021

Minute Ref A/5/21/12

- 12.1 The Committee received the report. It noted that during the 2020/21 KPMG delivered twelve reviews totalling 173 days; at the time of reporting, the 2020/21 Payroll report had been issued in draft and had been given a provisional assurance rating of ‘significant assurance with minor improvements required’.
- 12.2 KPMG concluded that, for the period 1 August 2020 to 31 July 2021:
- significant assurance with minor improvements could be given on the overall adequacy and effectiveness of the organisation’s framework of risk management, control and governance;
 - that the University had adequate and effective arrangements in place to promote economy, efficiency and effectiveness. There were no findings from their work carried out during the year that would lead them to question the arrangements in place at the University to secure value for money in the use of resources.

In addition, in 2020-21 KPMG carried out the second phase of a review of funding assurance over apprenticeships. This resulted in an assurance rating of Partial Assurance with improvements required. This followed an advisory review in 2019-20 to assess the University’s plans for improving the data management and compliance processes for its Education and Skills Funding Agency funded apprenticeship provision, which also identified

some significant issues for management to address. They continue to follow-up on the recommendations raised across both reports as management make progress on implementing these.

12.3 In response to a question, KPMG confirmed that management engagement had been timely. There had been an improvement in progress to implement internal audit recommendations and increased accountability through the reports on implementation of recommendations to ULT. The number of recommendations was in line with other HEIs.

12.4 KPMG were commended for their clear report and thanked for their work during 2020/21.

Agenda Item 14
Paper Ref
A/5/21/14

Internal Audit Plan 2021/22

Minute Ref A/5/21/13

13.1 The Committee received a revised internal audit plan for 2021/22 for approval. The changes made since discussion of the plan at the September 2021 meeting had been:

- i. moving the staff appraisal into 2021/22; and
- ii. the additional of a follow-up audit on HE apprenticeships into 2021/22.

13.2 It was noted that:

- i. the content of the plan would be kept under review during the year;
- ii. the action agreed in September 2021 (minute A/4/21/20.3 refers) to add an additional column into the table showing corporate risks to show when the risk area had last been subject to internal audit and the specific area audited, would be taken forward by KPMG.

Agenda Item 15
Paper Ref
A/5/21/15

**Report on the implementation of Internal Audit
Recommendations**

Minute Ref A/5/21/14

14.1 The Committee noted that the University Leadership Team had received a report on 9 November 2021 on progress to implement internal audit recommendations that had passed the agreed completion date. ULT had agreed revised completion dates proposed by managers. However, at the request of ULT, feedback had been provided to managers that whilst the revised deadlines had been agreed, it was ULT's expectation that recommendations should be implemented by the revised dates. ULT had also signed-off two internal audit recommendations as superseded. The superseded recommendations would be included in KPMG's follow-up review to test whether the categorisation as superseded was appropriate.

14.2 The University Secretary noted that there had been increased engagement with the tracker process by managers (minute A/5/21/12.3 also refers) and thanked Angela Temple, GLSR and Louise Bostock, KPMG for their work on the tracking process.

14.3 A member observed that the report on progress to implement internal audit recommendations to the Committee provided details where recommendations had been superseded or where the University Leadership Team had agreed extended completion dates. However, the Committee was not informed of progress to implement recommendations that had not passed their completion date. It was noted that previously more information had been provided to the Committee including whether actions were on target for the completion date. The Committee had agreed a change of approach to reporting.

It was noted that there were high priority actions in some reports which had a long implementation timescale, and it was important that these were progressed in a timely manner by managers and that management and the Committee were informed if implementation was delayed.

It was noted that KPMG's follow-up report (in summer 2022) would report on progress against all outstanding recommendations.

14.4 It was agreed to:

- i. include the date that the audit report had been issued in future reports to the Committee and ULT;
- ii. to provide a report on the status of progress to implement high priority recommendations to the Committee at its March 2021 meeting whether or not the recommendation had passed the agreed completion date.

Agenda item 16
Paper Ref
A/5/21/16
Confidential

Anti-Money Laundering Policy

Minute Ref A/5/21/15

15.1 The Committee received a report on a review of the University's Anti-Money Laundering (AMP) Policy and the plan to implement measures to help identify and mitigate money laundering risks. The reviewed aimed to ensure that the policy reflected current money laundering legislation and recent case law.

15.2 A member commented that the policy was well written and clear.

15.3 In response to a question the Chief Finance and Planning Officer, confirmed that the University had a gift acceptance policy – which covered money laundering and ethical matters. This policy was available to members on request to the CFPO.

15.4 It was noted that the annual review of the University's Anti-Bribery policy and associated compliance measures was due to be submitted to the Committee in March 2022.

Agenda Item 17.1
Paper Ref
A/5/21/17.1

Modern Slavery and Human Trafficking Statement (for the financial year ended 31 July 2021)

Minute Ref A/5/21/16

16.1 The Chief Finance and Planning Officer introduced the report. It was noted that:

- i. in the 2021 review, reference had been added to the University's ranking in the Times Higher Education (THE) Impact rankings, in which Universities were ranked on the impact they had on the United Nations' Sustainable Development Goals (SDG);
- ii. the University continued to identify sources of supply which might contain modern slavery risks and report annually how those risks were mitigated. The Alliance, (the University and its private sector alliance partners), which would deliver the University's campus plan, was responsible for ensuring its supply chain was secured in a responsible and ethical way. The statement set out how the Alliance would achieve this;
- iii. the Government had created a national 'Modern Slavery Statement Registry'. Whilst the requirements of section 54 of the Modern Slavery Act stipulated requirements for publication, the Act did not mandate publication to the registry. The official webpage stated that: "organisations are strongly encouraged to add their statements on the Modern Slavery Statement Registry, as this will be mandatory in the future".

16.2 It was noted that a Slavery and Human Trafficking Statement must be produced for each financial year, approved and signed by the Board of Governors and published no later than 31 December 2021 via a prominent link on the University's website homepage.

16.3 During discussion the following comments were made:

- i. a member commented that the Statement was very thorough;
- ii. in relation to whether the University should publish its statement on the Modern Slavery Statement Registry, members felt that this was a positive move as it would further increase transparency of the University's approach;
- iii. the statement specified that "The issue of modern slavery has been integrated into our teaching offer and as part of an annual internal audit cycle to ensure continued compliance with the Modern Slavery Act." It was agreed that the

Chief Finance and Planning Officer would clarify to the Committee how compliance with the Act was being picked up within the internal audit programme. *Post meeting note:* reference to 'internal audit cycle' related to the multiple reviews of the draft policy by Legal, Governance and other teams within the University, not to the internal audit work undertaken by KPMG. The statement was amended prior to submission to the Board of Governors to refer to 'internal review cycle'.

16.4 The Committee recommended the draft statement for approval by the Board.

Agenda Item 17.2	Draft Annual Report and Financial Statements	Minute Ref A/5/21/17
Paper Ref		
A/5/21/17.2		
Confidential		

17.1 The Chief Finance and Planning Officer introduced the draft Annual Report and Financial Statements (ARFS), and noted that a final draft would be submitted to the joint meeting of the Committee and Finance and Employment Committee on 26 January 2022 for recommendation to the Board. This would enable the University to meet the extended deadline for submitting the ARFS to the OfS. Feedback on the ARFS from members was welcome within the next week. It was noted that the University would revert back to the pre-pandemic timescale for submission of the ARFS to the OfS for 2022, meaning that the ARFS would be recommended to the Board in November 2022.

17.2 It was noted that:

- i. there were no audit findings that required adjustment, or that were noted but not adjusted for;
- ii. the areas still outstanding were the going concern review, post balance sheet events review (up to the date of signing) and completion of the letter of representation from management;
- iii. two post balance sheet events had been identified and disclosed. Grant Thornton observed that the USS valuation was difficult to present in the ARFS.

17.3 In response to a question, the CFPO observed that the most significant area of judgement had been in relation to the pension schemes (This was in line with comments made by Grant Thornton in the private meeting with the Committee). She also noted that the University had decided to use its own tailored assumptions in relation to the pension schemes rather than applying Mercer's assumptions. *Post meeting note:* As noted under A/5/21/2.2, this would be discussed at the Board of Governors briefing on pensions on 17 January 2022.

Agenda Item 17.3	Draft Audit Committee Annual Report to the Board of Governors and Accountable Officer 2020/21	Minute Ref A/5/21/18
Paper Ref		
A/5/21/17.3		

18.1 The Audit and Risk Committee received the draft annual report to the Board of Governors and accountable officer 2020/21. The Committee had considered its effectiveness in September 2021 when it was assured of the Committee's compliance with the primary elements of the CUC Code of Governance and that it had discharged its responsibilities under its terms of reference. Based on information provided and in discussion the Committee considered itself to be operating in an effective manner. In relation to the review of compliance against of the primary elements of the CUC Code of Governance a member commented that the areas of sustainability and reputation required further consideration to ensure that the Committee addressed them appropriately. It was suggested that this could be discussed as part of the future agenda planning discussion (minute A/5/21/1.2v refers).

18.2 The Committee noted that it had previously been required to prepare an annual report for OfS as part of annual accountability process. The OfS no longer required the report,

however, it was felt appropriate, given the remit of the Committee and in line with best corporate governance practice, that it should continue to give opinions on the adequacy and effectiveness of (i) risk management, control and governance (ii) the management and quality assurance of data and (iii) economy, efficiency and effectiveness (VfM) in line with previous requirements. The Committee agreed the opinions as set out in 2.12 to 2.14. The Committee would be asked to reconfirm its opinions at the joint meeting with FEC in January 2022 in order to provide assurance to the Board as part of the process of approving the Annual Report and Financial Statements.

18.3 The report would be updated to reflect discussion and submitted to the Board of Governors.

Agenda item 18
Paper Ref
A/5/21/18
Confidential

Annual Performance Review of Internal Audit

Minute Ref A/5/21/19

19.1 Representatives of the internal and external auditors left the meeting. The Committee considered an annual performance review of its internal auditors, KPMG. The Committee noted that:

- i. 2021/22 was KPMG's final year under the current contract for provision of internal audit services. The University has issued a tender for internal audit provision from 2022/23 onwards as agreed by the Committee at its May 2021 meeting and an update was provided in the private meeting with management (minute A/5/21/21.1 refers). The Committee would be informed when the tender was open;
- ii. the University Secretary and KPMG reviewed the internal audit service performance during 2020/21 and revised PIs had been included in the 2021/22 internal audit plan.

19.2 A minute confidential to the Committee was recorded.

19.3 A minute confidential to the Committee was recorded.

19.4 A minute confidential to the Committee was recorded.

Agenda Item 19
Paper Ref
A/5/21/19
Confidential

Tender for External Audit

Minute Ref A/5/21/20

20.1 The Committee received a report on the process for, and the outcome of the Invitation to Tender for External Audit Services for the audit of the financial statements for the year ending 31 July 2022 for a maximum of seven audit years.

20.2 A minute confidential to the Committee was recorded.

20.3 A minute confidential to the Committee was recorded.

20.4 A minute confidential to the Committee was recorded.

20.5 The University was commended for the thorough process applied.

Agenda item 20

Private Meeting of Committee Members and Management

Minute Ref A/5/21/21

21.1 A minute confidential to the Committee was recorded.

Agenda Item 21
Paper Ref
A/5/21/21

Update on TPS

Minute Ref A/5/21/22

22. 1 The Committee noted the report.

Agenda item 22
Paper Ref
A/5/21/22

Annual Procurement Report 2020/21

Minute Ref A/5/21/23

23.1 The Committee noted the report.

Agenda 23
Paper Ref
A/5/21/23

Additional work carried out by the External Auditors

Minute Ref A/5/21/24

24.1 The Committee noted the report on additional work undertaken by the external auditors.

24.2 A minute confidential to the Committee was recorded.

Agenda item 24
Paper Ref
A/5/21/

Audit and Risk Committee: Annual Business Cycle 2020/21

Minute Ref A/5/21/25

25.1 The Committee noted the report.

Agenda Item 25

Any Urgent Business

Minute Ref A/5/21/26

26.1 None.

Agenda Item 26

Date of Next Meeting

Minute Ref A/5/21/27

- 27.1
- Private meetings: Wednesday 26 January 2022; noon to 1pm. *Post meeting note: revised time 11.30am to 1pm*
 - Joint meeting with FEC: Wednesday 26 January 2022; 1.30pm to 2.30pm