

## **BOARD OF GOVERNORS AUDIT COMMITTEE**

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Minutes of the meeting held on 20 June 2022

### **Present**

Clive Elliott	Independent member	Temporary Chair
Helen Smallbone	Clerk to the Board	
Kashif Azeem	RSM	Internal Audit Representative
James Boyle	KPMG	External Audit Representative
Christine Donnelly	Independent member	
Mike Rush	Independent member	
Mike Tate	Independent member	

### **Officers in attendance**

John Cater	Vice-Chancellor
Carl Gibson	Director of Finance
Craig Hutchinson-Howorth	Director of Strategic Planning

### **Apologies**

Lisa Greenhalgh	Committee Chair
Steve Igoe	Deputy Vice-Chancellor
Imogen Milner	External Audit Representative
Lisa Randall	Internal Audit Representative

Prior to the commencement of scheduled business, members met privately as a committee and then separately with the following groups:

- Officers of the Committee
- Internal and external auditors.

These meetings are recorded separately.

### **AC.21.041 Declarations of Interest**

There were no declarations of interest.

### **AC.21.042 Chair's Announcements**

*.01 Committee Chair*

Members noted that Clive Elliott had been appointed to chair the meeting in Lisa Greenhalgh's unavoidable absence.

### **AC.21.043 Chair's Action**

There was no Chair's Action to report.

### **AC.21.044 Minutes of the previous meeting**

*Received: Document AC/025/21*

The minutes of the meeting held on 30 March 2022 were agreed as an accurate record.

### **AC.21.045 Action Log**

*Received: Document AC/026/21*

Members received the Action Log noting that all actions were either complete or in progress.

### **AC.21.046 Matters arising not included elsewhere on the agenda**

There were no matters arising.

SECTION A

**AC.21.047 Board Assurance Framework**

*Received:* Document AC/027/21

*.01 Board Assurance Framework (BAF) Modifications*

*Reported:* The Director of Strategic Planning introduced the report which summarised the workshop held with all governors in March to develop the BAF, and built upon the actions agreed.

*Discussed:* In discussion, it was noted that:

- The paper accurately reflected the discussions which took place at the March workshop and provided sound principles on which the BAF could continue to develop.
- Information would be reported in line with the needs and role of each particular audience. As Audit Committee is responsible for ensuring sound risk management mechanisms, it would receive a detailed report, including underlying data, at each meeting. The Board of Governors will receive a high-level summary report three times per year, in the month following Audit Committee.

Committee members agreed that, while there would be scope to make refinements in the future, it was important to finalise the development stage of the BAF to allow implementation. The Chair reminded members that an internal audit review of the BAF would take place in 2023 and thanked management colleagues for their significant work to develop the new model.

*Resolved:* To adopt the Board Assurance Framework format and governance principles as proposed.

*.02 Board Assurance Framework*

*Reported:* The Director of Strategic Planning introduced the BAF. He explained that there was very little movement on risk since the previous meeting, though measures for student recruitment and retention had been split to reflect the prominence of both to the University's business. He also advised that the Office for Students (OfS) has introduced a new inspection regime to investigate low-quality provision across the sector, which has been included in the BAF as an amber risk.

Finally, he observed the risks presented by national policy and rising inflation, noting the increasingly challenging external environment and the criticality of excellent student recruitment and retention in mitigating these risks.

*Discussed:* In response to questions, the following was noted:

- *Student recruitment and retention*

While student recruitment was on target, retention remained a live issue for the whole sector. The University had implemented institutional action plans and was optimistic about their effectiveness. NSS results, which reflect third year students' satisfaction with their university experience, will be released in early July.

- *Graduate Outcomes*

Graduate Outcomes data had been released following the circulation of papers, confirming that the University continued to deliver excellent outcomes in terms of the percentage of our graduate in employment. However, when filtered to graduate-level jobs, we perform less well. The Vice-Chancellor observed that many of our graduates choose to take interim roles as a stepping stone into their chosen profession. Others have care responsibilities which mean they are unable to immediately pursue their professional ambitions or relocate to secure a graduate role. Nevertheless, supporting students to develop graduate attributes and maximise their employability remains a key strategic focus for the senior team.

- *Transparency of changes within the BAF*

Governors noted the importance of the BAF accurately reflecting the University's contemporary state, and transparently bringing emerging risks to the Committee's attention. Members therefore agreed that **where BAF ratings change, the narrative should capture the reason for the change and associated mitigating actions.**

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## Action: Director of Strategic Planning

- *Regulatory monitoring and intervention*

The OfS' focus has moved from initial registration to enforcing its regulation, including on-site inspection activity. These inspections are, so far, of individual schools and departments rather than of whole institutions. The Vice-Chancellor noted that he did not consider the University had cause to believe we would be subject to such an inspection, noting that our financial position and other data sets are healthy – which cannot be said for many providers. Nevertheless, he noted that a single unexpected issue could alter that assessment, and the University would remain actively alert to ensuring regulatory compliance, and in particular delivering positive outcomes for students.

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*Resolved:* To receive the Board Assurance Framework.

## AC.21.048 Internal Audit Reports

*Received:* Document AC/028/21

*.01 Course and Portfolio Management: Faculty of Health, Social Care and Medicine (FHSCM)*

*Reported:* The Internal Audit Representative (KA) presented the report, noting that the assignment sought to confirm that the University's control framework for the planning, monitoring and management of its curriculum offer and academic portfolio were being effectively applied in FHSCM. Auditors gave a positive assurance opinion (Substantial Assurance), allocating only one medium management action relating to recording the impact the approval and validation of course programmes may have on equality, diversity and inclusion (EDI).

*Discussed:* In response to questions, it was noted that:

- The University had accepted the action relating to the formal documentation of EDI as a consideration in the course and portfolio management process. This action would be resolved in a timely manner and reported back to the Committee via the RSM Follow Up Report.

- The reference to the risk of sector funding being reduced by the Government or the OfS on page 7 of the report formed part of an extract from the University's institutional risk register.

*.02 TRAC (Transparent Approach to Costing)*

*Reported:* The Internal Audit Representative (KA) presented the report, noting that the TRAC submission was presented at the last meeting of the Committee, where members confirmed that appropriate governance arrangements had been in place to support its development. In undertaking their review, auditors tested the processes which were in place to support the preparation and submission of the TRAC return. The review had provided Substantial Assurance, and no management actions were identified.

*Discussed:* In discussion, it was noted that:

- *Value of the TRAC return*  
Members noted that the TRAC exercise had initially been developed to support the identification of the costings for research. At that time, a significant portion of the sector had been keen to ensure that funders were aware of the full economic cost of research, and that grants recognised this. In view of the modern funding regime, management officers queried whether it was effective for the University to continue to submit all aspects of the return given dispensation was possible.

The Director of Finance noted that the information gathered for the TRAC submission is used to support other University business. However, he acknowledged that there may be an argument that this could be done more efficiently without the full TRAC process.

The Director of Strategic Planning noted that the University would not be isolated if it requested dispensation from the TRAC.

Members agreed that they would be led by management on the value of applying for dispensation, following a cost-benefit analysis of participation in TRAC. *If* management are inclined to claim dispensation, they should return to the Committee with options/recommendations.

**Action: Director of Strategic Planning**

*.03 Follow Up*

*Reported:* KA noted that the Follow Up review had been undertaken to monitor how the University had responded to management actions in the previous cycle.

The review confirmed that all actions were complete, aside from the approval of the Student Mental Health Strategy which was scheduled to be considered by the Academic Board in July 2022. He had no concerns to raise to the Committee's attention.

*Discussed:* Members noted satisfaction with and assurance from the assignments and Follow Up report.

*Resolved:* To receive the Internal Audit Reports.

### **AC.21.049 Indicative Internal Audit Plan 2022/23**

*Received:* Document AC/029/21

*Reported:* KA introduced the indicative internal audit plan for 2022 -23. This was developed following consultation with the senior management team, Clerk, and Chair of Audit, alongside a benchmarking exercise to consider issues identified from other higher education providers and those outside the sector. He reported that the proposal provides high-level aims to establish the overall plan. Individual audit scopes are then confirmed based on contemporary risk.

*Discussed:* In response to governors' questions, the following information was noted:

- *Graduate Outcomes*

Committee members noted the importance of graduate outcomes for both the OfS (condition B3) and the University's reputation as a high quality provider. They queried whether auditors should be asked to review the University's structures and processes relevant to this area. The Vice-Chancellor agreed, observing that there was scope to include Graduate Outcomes within, or instead of, the scheduled audit of the Student Pulse Survey.

Committee members agreed that the possibility of a Graduate Outcomes review should be written into the plan, with the final decision

determined based on the Committee's contemporary assessment of need as the plan is deployed.

**Action:  
RSM**

- *Student retention*

Committee members also determined that it would be appropriate to undertake an audit of retention processes within the next year. The Vice-Chancellor welcomed the suggestion, indicating that the summer term would be the most appropriate timing to evaluate the impact of the University's new Retention Action Plan.

**Action:  
RSM**

- *Timing of capital projects audit*

The Chair queried the timing of the audit of the refurbishment of the main building, which was scheduled for June 2023. The Vice-Chancellor suggested that it could be moved forward to the spring term, but noted that the Deputy Vice-Chancellor would have a better insight into timings. It was agreed that KA and the Deputy Vice-Chancellor should liaise on this matter and report back to the Committee.

**Action: RSM/DVC**

- *Equality, diversity, and inclusion (EDI)*

Prior to the meeting, the Committee **Chair submitted a request for EDI to be considered more explicitly throughout all audits.**

Members agreed that this would be both appropriate and desirable.

**Action: RSM**

- *Benchmarking*

KA confirmed that benchmarking is undertaken in the autumn term to ensure that all relevant activity is incorporated within the plan. He noted that the Internal Audit Plan can be changed by the Committee at any time, based on their continual assessment of risk.

**Resolved: To approve the Internal Audit Plan 2022/23 subject to the amendments listed**

## **AC.21.050 External Audit Plan for the 2021/22 Accounts**

*Received:* Document AC/030/21

*Reported:* The External Audit representative (JB) presented the External Audit Strategy for the year ending 31 July 2022, noting that the plan was consistent with previous years and highlighting the following points:

- Materiality levels for the audit of the University and the Group
- The audit approach and timetable for delivery
- Identified risks and areas of focus
- Details of the key audit team members
- Analysis of fees
- Confirmation of auditor independence, with no conflicts to report

*Discussed:* In discussion, members noted that the key significant risks identified were:

- Valuation of pension liability
- Management override of control

JB confirmed that the inclusion of management override of control was a standard feature of the audit and did not indicate any concerns specific to the University.

***Resolved:* To approve the External Audit Plan for the 2021/22 Accounts**

## **AC.21.051 Scheme of Delegation**

*Received:* Document AC/031/21

*Reported:* The Clerk introduced the Scheme of Delegation noting that it had been updated in line with feedback provided by Committee members following the previous meeting. She emphasised that the new format of the Scheme of Delegation was designed to more clearly articulate the Board's delegations, in view of contemporary regulatory requirements, and how it maintains oversight of delegated activities.

*Discussed:* In response to governors' questions, the following information was noted:

- *Delegations to the Vice-Chancellor*

The Scheme reflects the Board's delegations to committees or to management. As the University's Chief Executive Officer, and in line with the Articles of Government, it is generally the Vice-Chancellor's responsibility to distribute management delegations appropriately.

- *Consideration by the Board of Governors*

Members noted that the Scheme of Delegation required formal consideration and approval by the Board of Governors. They agreed that it should be released to governors immediately via the board portal to allow them to absorb and reflect on the detail it contains before July's meeting.

**Resolved: i. To endorse the draft Scheme of Delegation for approval**

ii. To release the Scheme of Delegation ahead of other Board papers to allow governors to fully absorb the detail provided

**AC.21.052 Audit Committee: Arrangements for Committee Effectiveness Reviews**

*Received:* Document AC/032/21

*Reported:* The Clerk introduced the report. She observed that the Committee had confirmed its adoption of the updated CUC HE Audit Committees Code of Practice earlier in the year, when she had been asked to develop proposals for a more dynamic approach to committee self-evaluation. She recommended that the Committee determine its approach to reviews on an annual basis, considering a range of options, as appropriate, from light-touch conversation to a full review depending on the Committee's views about contemporary needs.

*Discussed:* In response to governors' questions, the following information was noted:

- *Dynamic approach*

All Committee members agreed that a more dynamic approach with alternative options considered each year was desirable and would ensure closer alignment to the Audit Committees Code of Practice. They decided that June would be the optimum time for this conversation to take place, to allow time for the Clerk to make arrangements based on the Committee's deliberations.

- *Evaluation for 2022*

Members considered that some degree of externality would be welcome for the Committee's 2022 evaluation. The Chair observed that the Board would undergo its regular external effectiveness review in the autumn term, and it was agreed that the Audit Committee should be considered within the scope of this review.

- *Learning form other sectors*

In view of their experience , one governor advocated the survey approach laid out in the Healthcare Financial Management Association's Audit Committee Handbook and noted that they would promote aspects of this good practice when the Committee next undertakes its self evaluation.

**Resolved: i. To determine the approach to committee evaluation each June**

ii. To include the Audit Committee within scope for the Board's external effectiveness review 2022

**AC.21.053 Fraud and Irregularity/Serious Incidents Statement**

**Confidential: Not for publication**

*Reported:*

*Discussed:*

*Resolved:* To note the Fraud and Irregularity/Serious Incidents Statement

<b>SECTION B</b>
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**AC.21.054 RSM Progress Report**

*Received:* Document AC/033/21

*Reported:* The Head of Internal Audit introduced the report which provided an update on progress against the Internal Audit Plan and summarised RSM's work since the Committee's last meeting. He noted that the schedule of work was progressing well with no issues to report.

*Discussed:* In discussion, the following information was noted:

- *Timings*

The Collaborative Provision audit had been rescheduled since the initial plan. This will now take place in September.

The UKVI audit has now taken place and will be reported to the next meeting of the Committee.

*Resolved:* To note the RSM Progress Report.

**AC.21.055 Anti-Money Laundering Policy**

*Received:* Document AC/034/21

*Reported:* The Director of Finance introduced the policy, noting the importance of ensuring that it remained aligned to the University's evolving provision and risk profile.

*Discussed:* In discussion, the following information was noted:

- *Implementation*

The Director of Finance actively promotes the policy via central development sessions and departmental visits. All staff are made aware of the policy and their responsibilities.

***Resolved:* To approve the Anti-Money Laundering Policy**

**AC.21.056 Any other business**

There was no other business.

<b>SECTION C</b>
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The following items were received for information:

**AC.21.057 External Audit Benchmarking Reports: Financial Statements, RiskRegister (*Document AC/035/21*)**

**AC.21.058 Date and time of next meeting**

The next meeting is scheduled for 17 October 2022.