

AUDIT AND RISK COMMITTEE
Thursday 22 June 2023

CONFIRMED MINUTES

Present:

Peter Thompson (Chair)
Celia Gough

Simona Fionda
James Hedges

Patricia Gallan
Indy Hothi

In attendance:

James Aston [External audit]
Sophie Harris [m. 2022.048]
Jonathan Morgan

Sarah Durrant [External audit]
Karen Kröger
Dr Catherine Murray [m.
2022.049]

Dr Sharon Ellis
Dr Nadine Lewycky
Amy Taylor [Internal audit]

Neil Thomas [Internal audit]

Apologies:

Professor Colin Bailey

Welcome, apologies and declaration of interests

2022.047 [a] The Chair welcomed everyone to the meeting. No declarations of interests were made.

[b] The Chair thanked Charlie Medley for his work on the internal audit. Charlie was moving to a new role within KPMG.

Deep dive presentation on the staff survey [Presentation]

2022.048 *Minute 2022.048 is confidential.*

Update on KPIs and lead indicators [ARC22/41]

2022.049 *Minute 2022.049 is confidential.*

Internal audit progress report and internal audit plan 2023–24 [ARC22/42]

2022.050 The Committee **considered** the internal audit progress report and internal audit plan 2023–24. The following points were noted in the discussion:

[a] The Committee asked whether the proposed audits on student experience and graduate outcomes could be aligned. There would be the opportunity to adjust the timing of the reports in the next iteration of the plan.

[b] The Committee asked whether a report on an Estates-related item be timely given the position on the infrastructure plan. A number of reports in the last few years had touched on areas related to Estates.

- [c] The Committee asked KPMG if there were any topics that should be included based on their experience elsewhere in the sector. Other Russell Group universities had also included research overheads in their plans for this year.
- [d] The Committee noted that there was an opportunity in what was being proposed to consider how internal audit may help provide assurance on academic quality and standards.
- [e] The Committee said that improvements in the quality of underlying professional services were reflected in the improved internal audit ratings in recent years.

Planned internal audit reports [ARC22/43]

2022.051 The Committee **considered** the planned internal audit reports. The following points were noted in the discussion:

Clinical trials governance

- [a] The report had a rating of significant assurance with minor improvement opportunities. There was good compliance with the processes set out in the standard operating procedures. Improvement opportunities had been identified for internal record keeping and reporting.

Core financial controls

- [b] The report had a rating of significant assurance with minor improvement opportunities. Improvements had been identified for the consolidation of subsidiaries and controls for NHS income.
- [c] The Committee asked what actions could be taken to improve the process around NHS recharge letters. While there was currently no central system, we would explore options and report back to the Committee.
- [d] The Committee asked whether systems that integrated with Agresso could be introduced to improve the process of consolidation of subsidiaries. We would consider the various options to facilitating the process.
- [e] The Committee asked if the improvements to documentation and record keeping needed to be applied retrospectively. This was not specified in the reports, so the improvements would be implemented going forwards.

Action: [c] Chief Financial Officer

External audit plan 2022–23 and fees [ARC22/44]

2022.052 The Committee **considered** the external audit plan 2022–23 and fees. The following points were noted in the discussion:

- [a] The external auditors were holding client sessions on the new ISA 315 requirements to keep finance teams and the auditors aligned on expectations. The audit team would be on site or in London during the audit as much as possible this year. The materiality level had been increased to

2% this year from 1.75% last year. The audit work and report would be completed in time to be presented to the Committee in November before approval of the financial statements by Council later that month.

- [b] The University had completed templates for the auditors before the start of the audit and these were being reviewed. Areas where there had been issues last year, such as pay consolidation, were being dealt with in advance. The Committee welcomed the work being done in advance and saw it as a vital step in ensuring that the audit proceeded to time.
- [c] The Committee asked whether the increase in fees this year resulted from the increased workload related to the ISA 315 requirement. 25% of the increase was from the ISA 315 and 10% due to inflation which was consistent with BDO's approach across the sector.
- [d] The Committee asked how the IT systems had been selected and how much testing would be done on IT controls. The systems selected contained core data and were at potential risk for fraud manipulation. The access controls on the systems would be audited. The controls environment in higher education was not as strong as in some other sectors but there was a move towards more controls testing.

Overview of the annual report process [ARC22/45]

2022.053 The Committee **noted** the overview of the annual report process. The following points were noted in the discussion:

- [a] The Committee asked how the strategic risks would be represented in the annual report. The risk section would cover external risks and uncertainties, and the strategy section would cover performance against the KPIs. The Committee said that the University's achievements in social mobility should form a key part of the narrative.
- [b] The Committee asked how the climate change risk would be presented to show the risks and impact specifically on the University. There were risks around improving our environmental performance and further developing our decarbonisation plan. We would continue to explore the introduction of a KPI on climate and environmental impact.

Whistle blowing cases since the last meeting [Oral report]

2022.054 *Minute 2022.054 is confidential.*

Fraud/financial irregularities occurring since the last meeting [ARC22/46]

2022.055 *Minute 2022.055 is confidential.*

Report on a cyber security incident [ARC22/47]

2022.056 *Minute 2022.056 is confidential.*

Annual schedule of business 2023–24 [ARC22/48]

2022.057 The Committee **considered** the annual schedule of business 2023–24. The following points were noted in the discussion:

[a] We were considering the option to propose deep dives involving staff from individual schools, institutes or directorates, possibly on topics that had already been considered from an institutional perspective.

[b] The University Secretary would propose a suitable date to return to the staff survey results, after they had been considered at the local level, with a deep dive focusing on two or three schools or institutes.

Minutes of the meeting held on 13 March 2023 [ARC22/49]

2022.058 The Committee **approved** the minutes of the meeting held on 13 March 2023.

Draft agenda for the next meeting [ARC22/50]

2022.059 The Committee **noted** the draft agenda for the next meeting on 28 September 2023.

Any other business

2022.060 The Committee asked for an oral update on the class action being brought by students relating to missed education as a result of the pandemic and industrial action. The following points were noted:

[a] The case with UCL had progressed more quickly and the permission hearing had recently taken place. The judge had reserved judgment and the outcome was expected in the next few weeks. The sector's position was that the individual experiences of students varied and could not be brought as a class action.

Dates of meetings in 2023–24:

- Thursday 28 September 2023 at 1515 hours.
- Tuesday 14 November 2023 at 1515 hours.
- Tuesday 12 March 2024 at 1500 hours.
- Tuesday 18 June 2024 at 1500 hours.