

APPROVED

**MINUTES OF THE 148<sup>th</sup> MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON TUESDAY 14 NOVEMBER 2023 IN ROOM L195 LUXBOROUGH BUILDING AND VIA MICROSOFT TEAMS.**

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PRESENT:	C Morgan (Chair) J Khan	Professor F Ross (Deputy Chair)
IN ATTENDANCE:	O Adetona (from Minute 23.16) J Bairamian <sup>1</sup> (from Minute 23.29) P Bonfield <sup>1</sup> (from Minute 23.18) M Chan (from Minute 23.29) V Foster <sup>1 2</sup> (from Minute 23.29) D Gibbs, KPMG I Griffiths <sup>2</sup> (from Minute 23.16) D Hoyle <sup>1 2</sup> (from Minute 23.29)	E McMillan, Clerk to the Court (from Minute 23.16) S Shabbir (Observer) D Takodra, TIAA <sup>2</sup> (from Minute 23.16) T Toumazis <sup>1 2</sup> (from Minute 23.29) C van den Berg, KPMG P Wales <sup>1</sup> (from Minute 23.29) M X Wang <sup>1</sup> (from Minute 23.29) I Wilmot <sup>3</sup> (Deputy Company Secretary/from Minute 23.16)
APOLOGIES:	C Mpofo, TIAA (attendee) T Sketchley <sup>1</sup>	D Stanton

**23.15 PRIVATE MEETING OF MEMBERS**

23.15.1 Members met privately with the external auditors.

**23.16 ANNOUNCEMENTS**

23.16.1 The Chair welcomed members and attendees, including Shehma Shabbir who observed the meeting prior to taking up the role of governor and Committee member in December 2023.

23.16.2 Members noted apologies for the meeting as recorded above.

23.16.3 Dakshita Takodra declared an interest in agenda items 9.0 and 10.0 – internal audit evaluation and tender update. Dean Gibbs and Carl van den Berg declared an interest in agenda item 9.0 – external audit evaluation.

23.16.4 The Chair informed members that they wished to discuss starred agenda items 13.0 - data return progress update (see Minute 23.24) and 22.1 - accounting assumptions (see Minute 23.33).

23.16.5 The Chair confirmed there were no requests from members to discuss matters not already on the meeting agenda.

**23.17 MINUTES, ACTIONS AND MATTERS ARISING FROM THE PREVIOUS MEETING**

23.17.1 Members confirmed that the minutes of the Audit and Risk Committee meeting held on 12 September 2023 (Document AUD 231114A) are an accurate record.

23.17.2 Members received and noted an update on actions from previous meetings (Document AUD 231114B).

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<sup>1</sup> Resources Committee member

<sup>2</sup> Participated via Microsoft Teams

<sup>3</sup> Ian Wilmot attended as Director of Finance and Interim University Secretary and Chief Operating Officer (USCOO)

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23.17.3 **Terms of reference and schedule of business (Action 23.4.6.1)** The Clerk to the Court of Governors encouraged all members to respond promptly to the request for dates for the reflective session.

### 23.18 COMPLIANCE UPDATE

23.18.1 The Interim USCOO assured members that there were no instances of potential fraud, bribery, or money-laundering to report.

23.18.2 The Interim USCOO informed members that the University had made a report to the Office for Students (OfS) confirming the University's response to notification by a partner that they are no longer able to deliver a Foundation degree validated by the University (Document AUD 231114N).

23.18.3 In response to a member's queries, the Interim USCOO confirmed that there was no link between this matter and concerns from OfS about partnership arrangements and quality of recruitment in the sector and explained the financial implications of the partner's decision.

23.18.4 The Interim USCOO informed members that the University had made a report to the OfS about an incident between two student societies and confirmed action taken by the University following the incident.

23.18.5 The Interim USCOO reported that a recent Asbestos Management Review identified actions that are being addressed by colleagues in the Estates Planning and Services department.

### 23.19 STRATEGIC RISK REGISTER 2029 – PERIODIC REVIEW REPORT

23.19.1 Ian Griffiths, Risk and Resilience Manager, presented a report on the University Executive Board's (UEB) recent review of the strategic risk register (Document AUD 231114C).

23.19.2 The Risk and Resilience Manager explained that he will be working with strategic risk owners to review individual risks before leading a discussion with UEB to identify whether any changes in the internal and external environment impact on the risks in the register.

23.19.3 The Risk and Resilience Manager briefed members on the follow up to the recent workshop to review the risk appetite statement. A member suggested that future workshops include an opportunity for governors to better understand which risks are grouped under each strategic area.

23.19.4 Peter Bonfield, Vice-Chancellor/UEB Chair explained to members the process UEB will follow to provide additional assurance around strategic risk management. A member encouraged UEB to ensure that colleagues across the university have an awareness of risk policies and practices and understand how to escalate risks.

23.19.5 A member suggested that the development of a risk appetite framework should include thresholds and tolerances for the risks and define escalations, some of which would be to the Audit and Risk Committee and to the Court of Governors.

23.19.6 Members noted that the report would be submitted to the Court later in the month.

### 23.20 INTERNAL AUDIT SUMMARY INTERNAL CONTROLS ASSURANCE REPORT

23.20.1 The Senior Audit Manager, TIAA presented the Internal Audit Summary Internal Controls Assurance (SICA) report (Document AUD 231114D). The report included an update on emerging governance, risk and internal control related issues, reviews completed since the last meeting, progress against the 2023/24 plan and follow up of recommendations from previous audits.

23.20.2 A member expressed concern about the length of time to complete some of the recommendations from previous audits. The Senior Audit Manager assured the Committee that they have a process to escalate any concerns about progress on recommended actions and would notify the Committee if they had any concerns. The Interim USCOO explained the reason for a delay in closing some actions from the remote working review.

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23.20.3 In response to a member's query, the Senior Audit Manager confirmed that key and critical risks are being captured and monitored, there are processes to keep these risks under review and TIAA consider that the university is managing risk appropriately. A member suggested that audit scope could include a review of whether the University is managing risks and opportunities in the best way to achieve its strategic goals, as well as whether it is meeting the basic risk management procedures.

23.20.4 A member suggested that TIAA provide more information about the scope of each audit in the review report, perhaps as an appendix.

23.20.5 A member suggested that when presenting the progress in actioning recommendations, the Committee would benefit from commentary from TIAA on the implications of any delay or failure to complete agreed actions.

### Review of research grant management

23.20.6 Members noted the internal auditor's opinion was reasonable assurance with three important, four routine and two operational effectiveness action points identified.

23.20.7 In response to a member's query, the Senior Audit Manager explained that research managers and Principal Investigators had been interviewed through the review and that where issues were identified they usually related to capacity and/or awareness and actions have been identified to address that. The Senior Audit Manager confirmed that relevant officers are clear about their roles and responsibilities, work together and have a good understanding of this area of their work.

23.20.8 A member challenged the reasonable assurance opinion. The Senior Audit Manager explained the reasons for the opinion, noting that fundamental controls around pre- and post-award financial processes and specific grants are in place and colleagues have adhered to all policies.

[The internal and external auditors left the meeting at this point]

## 23.21 AUDIT SERVICES EVALUATION

23.21.1 [Redacted]

23.21.1.1 **ACTION** [Redacted]

23.21.2 [Redacted]

23.21.3 Members confirmed they are content with the information provided in the evaluation (Document AUD 231114E).

23.21.4 **AGREED** Members recommend that KPMG are re-appointed as external auditors for the financial year ending 31 July 2024.

23.21.5 The Chair considered that members needed more time to consider their responses to the outstanding questions in the evaluation of the internal auditor service and postponed this discussion to the next meeting.

23.21.5.1 **ACTION Clerk to the Court** to circulate the questions to members for comment and include the evaluation discussion in the agenda for the next meeting.

## 23.22 INTERNAL AUDIT TENDER PROGRESS UPDATE

23.22.1 The Chair noted that the Committee needs to be clear what they expect from the internal audit service.

23.22.2 The Chair invited the Vice-Chancellor and other members of the executive to contribute their views to help define the scope of internal audit services.

23.22.3 A member suggested that the Committee's responses to the internal audit services evaluation can inform the tender documentation.

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- 23.22.4 The Chair confirmed that the Committee will discuss the scope for internal audit services, including the view from UEB, at the next meeting.
- 23.22.5 **AGREED** Members recommend that the contract with TIAA is extended for a further year from 1 August 2024 to 31 July 2025 to allow time for the internal tender process.

[The internal and external auditors rejoined the meeting at this point]

### **23.23 AUDIT AND RISK COMMITTEE ANNUAL REPORT 2022/23**

- 23.23.1 Members noted the updated internal audit annual report 2022/23 (Document AUD 231114Fi).
- 23.23.2 **AGREED** Members confirmed the Committee's annual report (Document AUD 231114Fii), which will be submitted to the Court of Governors, subject to amendments reporting decisions taken at this meeting.
- 23.23.2.1 **ACTION** Chair to approve the updates prior to submission to the Court.

### **23.24 DATA RETURN UPDATE REPORT**

- 23.24.1 Members received a report providing assurance on the quality of data submitted to the OfS and other bodies since the last meeting (Document AUD 231114H).
- 23.24.2 Members discussed a letter from the OfS to the Accountable Officers at all registered providers about implementation of the Data Futures programme (Document AUD 231114Hii).
- 23.24.3 The Interim USCOO assured members that the University would submit the required student data ahead of the deadline.

### **23.25 ACTION IN RESPONSE TO SECTOR ISSUES IDENTIFIED BY AUDITORS**

- 23.25.1 Members received an update on actions taken by the University in response to the sector issues identified in internal and external audit client briefings/digests (Document AUD 231114G).

### **23.26 FUTURE MEETING DATES**

Meetings take place via Microsoft Teams<sup>4</sup> and start at 4.30pm for members only with attendees joining at 4.40pm.

Tuesday 23 January 2024

Tuesday 19 March 2024

Tuesday 18 June 2024

### **23.27 ANY OTHER BUSINESS**

- 23.27.1 The Chair thanked David Stanton, who retires from the Court and this committee at the end of the month, for his service to the Committee.

### **23.28 MEETING EVALUATION**

- 23.28.1 The Chair postponed the evaluation of this meeting to the reflective meeting in December 2023.

### **23.29 ANNOUNCEMENTS**

- 23.29.1 The Chair welcomed Resources Committee members to the meeting.
- 23.29.2 Members noted apologies from Resources Committee members for this meeting as recorded above.
- 23.29.3 No Resources Committee members declared an interest in any items on the agenda.

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<sup>4</sup> Space onsite can be arranged through the Clerk to the Court for governors/committee members who need somewhere private to join a meeting.

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### 23.30 EXTERNAL AUDIT YEAR-END REPORT 2022/23

- 23.30.1 Dean Gibbs, KPMG presented the draft external auditors annual report to the Audit and Risk Committee on the results of KPMG's audit of the consolidated financial statements of the University and its subsidiaries for the year ended 31 July 2023 (Document AUD 231114I).
- 23.30.2 The External Auditor thanked the Director of Finance, the Deputy Director of Finance and their team for all their support during the audit process.
- 23.30.3 The External Auditor confirmed that most of the outstanding matters listed in the report were closed since the report was issued and all that remained outstanding was the final review of the University's annual report, finalising and signing their audit report, and confirmation of any subsequent events with management up to the date of signing (29 November 2023).
- 23.30.4 The External Auditor reported that KPMG expect to issue an unmodified opinion on the University's financial statements and use of funds.
- 23.30.5 The External Auditor discussed with members the accounting for the valuation of participation in the Local Government Pension Scheme (LGPS) and how changes in interest rates might impact in the future.
- 23.30.6 Members heard that the Scheme has changed from a liability to a small net asset following changes in discount rates due to wider macro-economic circumstances. In response to a member's queries, the External Auditor confirmed that KPMG consider this is appropriately reflected in the financial statements, they are comfortable with the selected actuarial assumptions, and had followed up directly with the actuaries on any specific areas where they had queries.
- 23.30.7 The External Auditor summarised the key information provided in the report appendices.
- 23.30.8 With regards to KPMG provision of taxation services to the University and the potential threat to auditor independence, the Chair suggested that – although the University is not a public interest entity - the Committee may want to consider aligning practice with the stricter requirements for such entities.
- 23.30.8.1 **ACTION External Auditor and Director of Finance** to consider the suggestion and provide their view at the next meeting.
- 23.30.9 A member suggested that the report is amended to reflect the new name of the Committee.
- 23.30.9.1 **ACTION External Auditor** to amend the Committee title throughout the report.
- 23.30.10 The Director of Finance thanked the team at KPMG, noting that the University valued the work of the auditors who had been capable, professional and thorough.

### 23.31 LETTER OF REPRESENTATION TO EXTERNAL AUDITORS

- 23.31.1 The Chair reported that they had received a questionnaire from KPMG about fraud, which they would complete having discussed the questions with the Interim USCOO and Clerk to the Court.
- 23.31.2 In response to a member's query, the Interim USCOO confirmed that they and the Vice-Chancellor would sign the matrix, which provides assurance from management on the representations in the letter (Document AUD 231114J).
- 23.31.3 **AGREED** Members confirmed that the letter of representation is accurate and recommend that the final version is signed by the Chair of the Court.

### 23.32 DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS

- 23.32.1 The Chair assured the Resources Committee that the Audit and Risk Committee had looked at the accounting policies and estimates and judgements in some detail.

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- 23.32.2 The Interim USCOO highlighted elements of the annual report and financial statements (Document AUD 231114K) including:
- alignment with the year-end management accounts;
  - strong financial performance driven by recruitment and cost controls;
  - achievement of all financial key performance indicators;
  - cash generation and planned allocation of some cash reserves to support capital investment;
  - comprehensive income and balance sheet performance.
- 23.32.3 The Interim USCOO thanked the Clerk to the Court for collating submissions for the annual report and informed members that the annual report would be further updated after this meeting, including the addition of a statement on the directors' duty to promote the success of the company (Section 172 of the Companies Act). A member suggested that the Committee could include a periodic review of the Section 172 obligations in the schedule of business.
- 23.32.4 A member suggested that the next annual report could include more information on the work of the University on the environment and climate change.
- 23.32.5 A member commended the University for integrating equality, diversity and inclusion throughout the report and noted that the balance between reporting achievements and challenges in the report is appropriate.
- 23.32.6 A member commended the University for the strength of the financial position considering the challenges of the current environment.
- 23.32.7 **AGREED** Audit and Risk Committee members confirmed that the University has:
- applied appropriate accounting policies;
  - used appropriate estimates and judgements; and
  - made suitable disclosures that are properly set in context.
- 23.32.8 **AGREED** Resources Committee members recommend the annual financial statements to the Court.

## 23.33 FINANCIAL STATEMENTS – SUPPORTING INFORMATION

- 23.33.1 Members received a report on key areas where management is exercising judgement when preparing the year-end financial statements (Document AUD 231114L).
- 23.33.2 Members received a report on the assumptions underpinning assurance of the status of 'going concern', the associated risk and the judgements made (Document AUD 231114M).

[The meeting ended here.](#)