

MINUTES OF THE MEETING OF THE CARDIFF UNIVERSITY AUDIT AND RISK COMMITTEE HELD ON MONDAY 15 NOVEMBER 2021 BY ZOOM, AT 13:00.

Present: Michael Hampson (Chair), Paul Benjamin, Dónall Curtin and Dr Janet Wademan

In Attendance: Jason Clarke (PwC), Clare Eveleigh (Senior Auditor), Laura Hallez (Senior Risk Advisor), Rashi Jain (General Counsel and University Secretary), Alison Jarvis (Director of Financial Operations), Vari Jenkins (Minute-taker), Faye Lloyd (Head of Internal Audit), Carys Moreland (Senior Internal Auditor), Claire Morgan (PVC Education and Student Experience) for minute 962, Ruth Robertson (Head of Corporate Governance), Claire Sanders (Chief Operating Officer), Jemma Trivett (Head of Performance and Risk) for minute 962, Professor Damian Walford Davies (Deputy Vice-Chancellor) and Robert Williams (Chief Financial Officer).

956 PRELIMINARIES

NOTED

- 956.1 that apologies had been received from Agnes Xavier-Phillips and Professor Colin Riordan, Vice-Chancellor;
- 956.2 that Professor Damian Walford Davies, Deputy Vice-Chancellor, was welcomed to the meeting, in the absence of the Vice-Chancellor;
- 956.3 that the very late circulation of papers presented challenges for members to be able to review the papers in advance of the meeting.

957 DECLARATIONS OF INTEREST

NOTED

- 957.1 that Dr Janet Wademan is now an independent member of the Governance and Audit Committee of Cardiff City Council.

958 MINUTES FROM THE PREVIOUS MEETING

Received Paper 21/218 Minutes – Audit and Risk Committee 5 October 2021. The Chair spoke to this item.

NOTED

- 958.1 that minute 952 of the previous minutes was incorrect.
- RESOLVED
- 958.2 to amend minute 952.1 to read ‘an external quality assurance exercise has been undertaken annually, facilitated by the Council of Higher Education Internal Auditors (CHEIA). The process used adopts a peer-review of an evidence-based self-assessment that has been completed by the Head of Internal Audit’;
- 958.3 to amend minute 952.2 to read ‘that every five years the institution is required to consider how internal audit services are provided at the institution, to comply with the Financial Management Code. This action is due to be completed in the current financial year.’;

- 958.4 to remove minute 952.5;
- 958.5 that the minutes of the meeting held on 5 October 2021 were approved as a true and accurate record, subject to the amendment of minute 952.1, 952.2 and 952.5.

959 MATTERS ARISING FROM THE MINUTES

Received Paper 21/219 Matters arising from the previous meeting. The Chair spoke to this item.

NOTED

- 959.1 (minute 934.5) that the role description for a Financial Compliance Officer is being finalised before commencing the recruitment process in the new year;
- 959.2 (minute 938.14) that the Head of Internal Audit has met with the PVC Education & Student Experience to scope the work which will be undertaken thereafter. Formal presentation of the audit report is expected at the March 2022 Audit and Risk Committee;
- 959.3 (minute 952.3) that the University Secretary has discussed this matter with both the Chief Operating Officer and the Chief Financial Officer and it has been decided to carry out an external evaluation. A tender process will be undertaken to identify the evaluator.

960 RISK REGISTER

Received Paper 21/220C Risk Register – Review of emerging risks. The Deputy Vice-Chancellor was invited to speak to this item.

NOTED

- 960.1 that the industrial action ballots have completed, and no action was agreed in respect the two matters of pensions and pay equality matters;
- 960.2 that the risk associated with supply chains and recruitment will be kept under review;
- 960.3 that a risk is being considered in relation to internationalisation to consider research, security operations, and export control and NSI regulations. The Head of Internal Audit is looking to reflect this in an assurance map.
- 960.4 that it would be helpful to understand how far the UCAS deadline would be moved and what impact that would have on the University's decision-making processes.

RESOLVED

- 960.4 to recommend that the current risks, their score and the mitigating actions reflect the risk profile of the University.

961 LIVE INCIDENTS

Received Paper 21/221HC Live Incidents. The Deputy Vice-Chancellor was invited to speak to this item.

NOTED

- 961.1 [REDACTED]

962 FEE AND ACCESS PLAN – MONITORING REPORT

Received Paper 21/208 Fee and Access Plan – Monitoring Report. Claire Morgan, PVC Education and Student Experience and Jemma Trivett, Head of Performance and Risk, spoke to this item.

NOTED

- 962.1 that the paper was presented to the Committee in order to provide assurance, via Council, to HEFCW that the agreed terms and conditions of the 20/21 Fee and Access Plan had been complied with and that it was a new requirement to submit this report to HEFCW;
- 962.2 there will be some work with the Corporate Governance Team to embed the Fee and Access Plan (FAP) approval and monitoring into the committee cycle and clarify the respective roles of each committee providing assurance to Council; and that information on the FAP should be included in Council members' and committee members' induction;
- 962.3 that the FAP helps prospective students to understand what percentage of their tuition fees are used across different areas of activity;
- 962.4 that the balance of fees spent needs to be towards the equality of provision;
- 962.5 that it has not been possible to spend the full forecast for the year given the impact of COVID on the planned services, e.g. cancelled conferences, students unable to participate in global programmes, moves to virtual activities rather than online. This was proactively communicated with HEFCW and is consistent with other institutions. It is not anticipated to impact negatively on the institution.
- 962.6 that it would be helpful to include a justification in the report as to why the 13.9% spend is outside the 15-20% range to understand why the institution falls outside this;
- 962.7 that the paper lacked assurance that programme fees have not exceeded tuition fees; the Committee received an oral confirmation that the University had not charged fees beyond the agreed standard fees during the reporting period;
- 962.8 that whilst the whole sector had seen a decline, any continuing downward trend for students' uptake of study through the medium of Welsh would be worthy of review in the context of the University's Welsh Language Strategy, national measures to support the Welsh language and the regeneration of Wales.

RESOLVED

- 962.9 that the Committee would welcome an insight into the cultural commitments and if they are being translated into effective action, at the March 2022 meeting;
- 962.10 to recommend the Fee and Access Plan monitoring report to Council for approval, subject to the addition of a justification for the underspend referred to in Minute 962.6 above and provision of assurance relating to the charging of fees as set out in 962.7 above.

963 VALUE FOR MONEY

Received papers Paper 21/238 Annual Procurement Update and Paper 21/237C Value For Money Report (2021). The Chief Financial Officer spoke to this item.

NOTED

- 963.1 that significant progress had been made around the reporting of value for money of which procurement was a key element;
- 963.2 That the Procurement Update report reflected significant improvement in the standard of procurement resulting in £3.4M of cashable savings in 2020/21 and a further £1.25M in non-cashable savings;
- 963.3 that the 2021 Value for Money report had included expert input from academics in the Cardiff Business School and also demonstrated great progress in the University's ability to demonstrate value for money; however this report also appeared to contain sections of text that were significantly out of date;
- 963.4 that greater emphasis could be placed on sustainability and that the Environmental Sustainability Sub-Committee may benefit from receiving the paper.

RESOLVED

- 963.5 that there should be a single Value for Money paper in future, presented as an annual report for the November Audit and Risk Committee, which focusses on providing assurance against the elements set out by HEFCW and reaches a conclusion on the overall performance of the University with respect to achieving value for money;
- 963.6 that it would be helpful to review the Value for Money report to update references to facts and figures.

964 INTERNAL AUDIT ANNUAL REPORT

Received Paper 21/222C Internal Audit Annual Report 2020/21. Faye Lloyd, Head of Internal Audit, was invited to speak to this item.

NOTED

- 964.1 that the draft Internal Audit Annual Report had been presented to the previous meeting of the Audit and Risk Committee and that there were no substantive changes to the paper required in the interim;
- 964.2 that Section 1.33 of the report refers to the data quality audits of relevance to the FAP compliance activity discussed under Minute 962 above and that the Head of Internal Audit would discuss how these link together with the PVC Education and Student Experience;
- 964.3 that the suspicious activity report referenced in section 1.44 had been reported to the National Crime Agency in accordance with their procedures, and the University had subsequently been free to process the transaction.

RESOLVED

- 964.4 to approve the Annual Internal Audit Opinion contained within paper 21/222C.

965 RECONCILIATION OF THE FORECAST OUTTURN VS STATEMENTS YEAR END 2020/21

Received Paper 21/223C Reconciliation of the Forecast Outturn vs Statements Year End 2020/21. The Director of Financial Operations spoke to this item.

NOTED

- 965.1 that the final year-end result of £61.7m includes an underlying operating surplus of £30.8m and non-operating surplus of £30.9m;
- 965.2 that the external audit is not yet complete but any material changes to the outturn as reported in this paper are not anticipated.

966 JUDGEMENTS FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

Received Paper 21/224C Judgements for the Financial Statements for the year ended 31 July 2021. The Director of Financial Operations spoke to this item.

NOTED

- 966.1 [REDACTED]
- RESOLVED
- 966.2 to approve the Judgements for the Financial Statements for the year ended 31 July 2021.

967 GOING CONCERN REVIEW 2021/22 AND 2022/23

Received Paper 21/225C Going Concern Review 2021/22 and 2022/23. The Director of Financial Operations spoke to this item.

NOTED

- 967.1 that there has been no call on the revolving credit facility;
- 967.2 that there are ring-fenced funds for the bond tap and endowments;
- 967.3 that appropriate stress tests have been undertaken and that the paper demonstrates that the University is a going concern for 12 months from the date of the signing of the accounts.

RESOLVED

- 967.4 to approve the content of the report as the basis for inclusion of statements of going concern within the Annual Report and Financial Statements;
- 967.5 to review the role of the Finance and Resources Committee and this Committee with respect to the assessment and approval of the Going Concern paper in future years

968 LETTER OF REPRESENTATION - ASSURANCES AND EVIDENCE OF COMPLIANCE

Received Paper 21/226C Letter of Representation - Assurances and Evidence of Compliance. The Director of Financial Operations spoke to this item.

NOTED

- 968.1 that paper sets out the assurances and assurance evidence, where relevant, for all key items within the Letter of Representation pertaining to the Financial Statements (including Notes and Disclosures) for year-ending 31 July.

RESOLVED

968.2 to recommend to Council that the assurances and evidence of compliance set out within the report are sufficient to enable Council to sign the Letter of Representation.

969 REPORT TO THE AUDIT AND RISK COMMITTEE ON EXTERNAL AUDIT YEAR END 2020/2021

Received Paper 21/231 Report to the Audit and Risk Committee on External Audit Year End 2020/2021. Ian Davies, PricewaterhouseCoopers, spoke to this item.

NOTED

969.1 that there have been no changes in the University's view of fraud risk and no additional cases had been brought to its attention since compilation of the auditors' report;

969.2 that in relation to the risk of Fraud and Management Override of Controls, no material misstatements due to fraud were identified; and that in relation to the risk of Revenue Recognition no material instances were identified of miscoded expenditure or where performance criteria had not been achieved;

969.3 that risks were identified in relation to the Defined benefit pension schemes – actuarial assumptions but that in both cases the actuarial assumptions were within acceptable ranges (including the LGS scheme which is administered nationally);

969.4 that further information would be sought from the actuaries on the frequency of updates to the CUPF mortality rate assumptions, whilst noting that actuaries will have been undertaking valuations every three years in any case;

969.5 [REDACTED]

969.6 that with respect to the key accounting judgements, not previously covered above, the auditors also identified an adjustment of £0.8M for holiday pay accrual;

969.7 [REDACTED]

969.8 that the auditors identified a number of uncorrected misstatements (Appendix 1 of the report); these are within the materiality the auditors have set, and they will be able to give an unqualified opinion on the financial statements without these matters being adjusted;

969.9 that there are no issues to report in relation to the use of funds or the Memorandum of Assurance and Accountability ('MAA') and Financial Management Code compliance opinions;

969.10 that the significant increase in auditor's fees for both the financial statements and additional work relating to the bond tap had been reviewed by the Finance & Resources Committee;

969.11 that the auditors offered their thanks to the Finance department for their assistance with the audit.

RESOLVED

969.12 that the Committee agreed with the statement of independence and objectivity of the auditors;

- 969.13 that the report provided assurance to support the Letter of Representation and the Financial Statements, including the basis for the uncorrected misstatements;
- 969.14 that the Chief Financial Officer should confirm the threshold for reporting to the Committee any penalties applied by HMRC for material errors in the University's VAT returns.

The Deputy Vice-Chancellor left the meeting at this item.

970 ANNUAL REPORT & FINANCIAL STATEMENTS 2020/21

Received Paper 21/228C Annual Report & Financial Statements 2020/21. The Chief Financial Officer spoke to this item.

NOTED

- 970.1 that there have been changes in the format of the Annual Report and Financial Statements in response to the template agreed by Chairs of Universities in Wales;
- 970.2 that the section on the University's Strategic Plan would benefit from an opening statement and a review to ensure it was up to date;

RESOLVED

- 970.3 that the report would benefit from proof-reading to review grammatical errors and inconsistencies in the use of lay member titles;
- 970.4 that as per the template the attendance at UEB should be added for consistency, notwithstanding the frequency of those meetings;
- 970.5 that the reference to risks in the Financial Review section should correspond with those agreed in the risk register;
- 970.6 the process for managing conflict of interest in section 2 Council Membership, should make reference to the requirement to make declarations at the start of each committee meeting;
- 970.7 to approve the internal controls statement;
- 970.8 to recommend the Annual Report and Financial Statements to Council for approval, subject to the amendments identified.

971 AUDIT AND RISK COMMITTEE ANNUAL REPORT

Received Paper 21/229 Audit and Risk Committee Annual Report. The Chair spoke to this item.

RESOLVED

- 971.1 that it would be helpful to reflect the Committee's discussions around value for money and financial accounts in the Audit and Risk Committee's Annual Report;
- 971.2 to confirm to the Audit and Risk Committee how evidence of compliance with the SORP is received;
- 971.3 to change reference to 'preparation' in section 4.3 to 'audit' (of financial statements);
- 971.4 to update the reference to the relevant Higher Education Act in section 4.4 and confirm how this was provided to the Committee;

971.5 to approve the Audit and Risk Committee Annual Report.

972 ANNUAL COMPLAINTS REPORT: STUDENTS, STAFF AND THIRD PARTIES

Received Paper 21/230HC Annual Complaints Report: Students, Staff and Third Parties. The Chief Operating Officer spoke to this item.

NOTED

972.1 [REDACTED]

972.2 [REDACTED]

972.3 [REDACTED]

RESOLVED

972.4 to approve the Annual Complaints Report.

973 AUDIT AND RISK COMMITTEE SELF EVALUATION REPORT

Received Paper 21/227C Audit and Risk Committee Self Evaluation Report. The Chair spoke to this item.

NOTED

973.1 the responses to the 2020/21 Audit and Risk Committee self-evaluation;

RESOLVED

973.2 that it would be helpful to undertake a skills gap review;

973.3 that it would be helpful to review the induction processes for members of Audit and Risk Committee;

973.4 that the length of meetings and papers would to be discussed at the in-camera session.

974 EXTERNAL AUDIT TENDER

Ian Davies and Jason Clarke left the meeting for this item.

NOTED

974.1 that the Chief Financial Officer provided an update to the Committee;

974.2 that there needs to take be a minimum of two options to meet the requirements of the Financial Reporting Council.

RESOLVED

974.3 to seek a separate single topic meeting before Christmas to approve the appointment of the external auditors.

975 POST MEETING RISK REGISTER REVIEW

NOTED

975.1 that the Committee agreed that the information received at the Committee is accurately reflected by the risk register, and they did not have any further matters to raise.

976 ITEMS RECEIVED FOR INFORMATION

NOTED

Financial Irregularities

976.1 that there were no Financial Irregularities to report to the Committee;

976.2 that the Committee NOTED the following papers:

- Paper 21/232HC Serious Incidents Report
- Paper 21/233HC Whistleblowing Report

977 ITEMS RECEIVED FOR APPROVAL

RESOLVED

977.1 that the Committee APPROVED the following paper:

- Paper 21/234 Compliance Report: HEFCW Financial Management Code 2020/21

All officers left the meeting for the reserved items. Paul Benjamin left the meeting.

Thanks were noted to Rob Williams, Chief Financial Officer, and Jason Clarke and Ian Davies, PwC, on their last meeting of this Committee.

978 SENIOR STAFF SALARY RECOMMENDATION

Received Paper 21/235HC Senior Staff Salary Recommendation. The Chair spoke to this item.

NOTED

[REDACTED]

RESOLVED

978.2 that the proposal was approved subject to any objections from the remaining members not present.

979 REPORT OF LIVE LITIGATION

Received Paper 21/236HC Report of live litigation. Rashi Jain, University Secretary spoke to this item.

NOTED

979.1 [REDACTED]

RESOLVED

979.2 for the University Secretary to confirm if there is a policy to inform decision-making around legal cases and seeking non-disclosure agreements.

980 IN-CAMERA

Following the meeting of the Audit and Risk Committee, an *in-camera* was held. The members of the Audit and Risk Committee, the Head of Internal Audit, the external auditors and the University Secretary were present.