

**Minutes of the Cardiff University Audit and Risk Committee held on Thursday 15 June 2023 at 10:00 in rooms 1.24/1.25, Centre for Student Life and via Zoom.**

Present: Michael Hampson (Chair), Pers Aswani, Dónall Curtin, Suzanne Rankin, Dr Robert Weaver, and Agnes Xavier-Phillips.

Attendees: Rob Davies [minute 1125], Anita Edson [minute 1125], Millicent Ele, Daisy Gandy, Ellie Hetenyi (KPMG), Rashi Jain, Faye Lloyd, Sian Marshall, Alexander Middleton (KPMG), Catrin Morgan, Mark O'Connor [minute 1124], TJ Rawlinson [minute 1122], Jo Regan, Claire Sanders, Professor Damian Walford-Davies [minutes 1121-1122], Darren Xiberras.

**1115 Welcome and preliminaries**

All were welcomed to the meeting, including Daisy Gandy who was attending her first meeting since her appointment as Risk Manager.

**1116 Apologies for absence**

Apologies were received from the Vice-Chancellor, Jonathan Brown (KPMG), Clare Eveleigh and Carys Moreland.

**1117 Declarations of interest**

The Chair reminded the Committee members of their duty to disclose any potential conflicts of interest. A declaration of interest was noted from Suzanne Rankin in relation to item 7. Risk Register, specifically in relation to the DENTL facilities, and item 13. Cardiff and Vale Health Board SLA Recommendation Update.

**1118 Minutes of previous meeting**

The minutes of the meeting held on 14 March 2023 (22/531C) were confirmed as a true and accurate record and were approved to be signed by the Chair.

**1119 Matters arising**

Received and considered paper 22/716C 'Matters Arising'. The Chair spoke to this item.

Noted

1119.1 That a number of the actions had been marked as completed before a paper had been discussed by the Committee.

1119.2 That actions were being progressed at pace but could take longer to progress where they required input from multiple departments/teams.

1119.3 That the work of the Target Operating Model aimed to improve cross-institutional working and drive real structural change that would enable actions/priorities to be taken forward more quickly.

Resolved

1119.4 For actions only to be marked as completed once any associated papers or agenda items had been discussed by the Committee.

1119.5 For realistic completion dates to be identified for each action and the Committee to be informed where dates could not be met.

#### **1120 Items from the Chair**

Noted

1120.1 The list of chair's actions is included in the meeting book.

1120.2 The Committee's thanks to Jo Regan and Faye Lloyd who were both attending their last meeting of the Committee.

1120.3 That Dónall Curtin had indicated his intention to resign from the Committee at the end of November 2023 citing the approach taken to convening a joint meeting of the Audit and Risk Committee and the Finance and Resources Committee as the reason for his resignation.

1120.4 It was questioned whether the independence of the Audit and Risk Committee could be compromised by permitting members of the Finance and Resources Committee to be present for the discussion of the External Auditor's report.

1120.5 The Chair responded and said that the joint meeting could enable greater transparency, visibility and awareness of the perspectives of members of both Committees; that the Audit and Risk Committee's independence and objectivity could be safeguarded by ensuring sufficient opportunity at the conclusion of the joint meeting for the Committee to meet privately.

Resolved

1120.6 For the joint meeting of the Audit and Risk Committee and the Finance and Resources Committee to go ahead as planned.

1120.7 For the terms of reference for the joint meeting to be drafted to set out the purpose, remit and operation of the meeting and for them to be shared with members of the Committee.

1120.8 For members to be consulted on the Committee's proposed meeting dates in future prior to their finalisation.

#### **1121 Risk Register**

Received and considered paper 22/715HC, 'Risk Register'. The Deputy Vice-Chancellor spoke to this item.

Noted

1121.1 [redacted]

1121.2 [redacted]

1121.3 [redacted]

1121.4 [redacted]

1121.5 [redacted]

1121.6 [redacted]

1121.7 [redacted]

1121.8 [redacted]

1121.9 [redacted]

1121.10 [redacted]

1121.11 [redacted]

1121.12 [redacted]

Resolved

1121.13 To recommend to Council the Risk Register for approval, including the proposed new risk, subject to a number of amendments to the paper.

1121.14 For the Committee to receive further details on the mitigation plan for the new DENTL risk at its next meeting as part of the risk register update.

1121.15 For the Committee's development session in October 2023 to provide an overview of the University's funding model and the reliability of forecasting.

1121.16 For consideration to be given to the articulation of risk 3\_financial sustainability to incorporate academic sustainability.

1121.17 For the Risk Manager to meet with Suzanne Rankin to discuss the University's approach to longitudinal risk scoring.

## **1122 Net zero risk update**

Received and considered paper 22/717 'Net Zero Risk Update'. The Deputy Vice-Chancellor and the Director of DEVAR spoke to this item.

Noted

1122.1 That there was a tension between investment in offset and investment in decarbonisation activity; a paper was planned for discussion at UEB to consider the approach.

1122.2 That significant progress had been made in developing greater certainty regarding the level of the University's carbon emissions, which had been achieved in response to the introduction of mandatory reporting by Welsh Government by September 2023. That this progress would enable the University to identify and achieve plans for carbon reduction.

1122.3 That a Carbon Net Zero Manager had been appointed and would be responsible for developing the University's roadmap to net zero across the estate for Scopes 1 & 2, and supporting progress towards Scope 3, including the likely cost.

1122.4 That the University had achieved 52<sup>nd</sup> place out of 1400 Universities worldwide in Times Higher Education Impact Awards and top 20 in the UK; that this reflected positively on the Net Zero work being undertaken at the University.

1122.5 That an internal audit would be conducted in October 2023 and draft terms of reference had been developed.

Resolved

- 1122.6 For the Carbon Net Zero Manager to be invited to update the Committee on progress made in developing and progressing the action plan in March 2024.

*The Deputy Vice-Chancellor and the Director of DEVAR left the meeting at the conclusion of this item.*

### **1123 Action plan to address external audit recommendations**

Received and considered paper 22/701C 'Action Plan to address External Audit Recommendations'. The Chief Financial Officer spoke to this item.

Noted

- 1123.1 That the Chief Financial Officer had held an away day before Easter with the Finance team and staff in schools; that a presentation had been provided setting out the vision to improve the maturity of the Finance team and to develop the role of Finance away from its transactional responsibilities to being an enabler of the University strategy.
- 1123.2 That a new structure for the central Finance team had been established, which included a forward looking function under the leadership of the new Director of Financial Planning and Performance; that the Group Financial Controller post would replace the Director of Financial Operations post and an external appointment had been made from the end of August; that the structure had been developed to take account of any changes to the reporting line of School and College Finance functions taken forward by the Target Operating Model (TOM) work; that this represented significant progress in addressing recommendation 1: Finance Team Capacity and Capability.
- 1123.3 That it was a principle of the TOM that business partners would report into functional leads and therefore, it was intended that all Finance staff in Schools and Colleges would eventually report into Finance to enable appropriate oversight, subject to consultation with staff in the Schools/Colleges.
- 1123.4 That a detailed plan for developing the maturity of the Finance function would need to be developed to include requirements for people, technology and funding to ensure it could be achieved.
- 1123.5 That it would take a longer period of time to address the issue of manual systems; a paper setting out a recommendation of the approach was at the early stage of consideration through the governance structure; it was recommended that the current system be optimised rather than replaced and then reviewed in a number of years' time when there may be scope to move towards an integrated HR and Finance system.
- 1123.6 That the level of retrospective purchase orders had been reduced to under 10%, which represented good progress, but this remained too high and further action, including training, would be required to reduce this level further.
- 1123.7 That work was ongoing to investigate whether a system control for journal authorisation could be implemented, as this was the preferred option, but had not yet been achieved.
- 1123.8 That a consultant was currently working in Finance to map and identify any gaps in the internal control framework and consideration would need to be given to the ongoing aspect of this work when the consultancy period ended in November 2023.

- 1123.9 That it was intended that the Senior Compliance Manager would report to the Group Financial Controller in the new structure but further consideration would be given to the need for the post to have direct access to the Chief Financial Officer; that additional resource was being considered to create an assurance role within the University Secretary's Office, which would provide complementarity to the Senior Compliance Manager role.

Resolved

- 1123.10 For the Chief Financial Officer to consider and confirm the agreed reporting line for the Senior Compliance Manager.

- 1123.11 For the Chief Financial Officer to confirm which recommendations were now closed, which remained outstanding and any timescales that were no longer achievable.

#### **1124 Internal Control Framework**

Received and considered paper 22/718C 'Summary of Cultural Findings and Behaviours'. Mark O'Connor, Senior Consultant in Finance and Daisy Gandy, Risk Manager joined the meeting to speak to this item.

Noted

- 1124.1 That work was planned to establish a new risk management framework, including a new policy; completing a risk maturity assessment; expanding risk appetite categories and tolerances, and scoring criteria.

- 1124.2 That the current internal control framework was not well-documented, which resulted in control leakage, deficiencies and an erosion of confidence; that once key processes and controls were documented it would be possible to identify control weaknesses and a timetable for making control improvements as appropriate; that it was anticipated that many controls were in place and operating effectively but this could not be confirmed until the documentation process was completed.

- 1124.3 That it would be important for the Committee to receive ongoing assurance that internal controls were operating effectively; that training was planned for Finance staff to ensure they understood and could enact the controls.

- 1124.4 That it would be helpful for the key controls to be mapped against the key risks to ensure that enhancements required could be prioritised.

Resolved

- 1124.5 For an update on progress with developing the internal control framework to be provided in October 2023.

*The Senior Consultant in Finance and the Head of Compliance and Risk left the meeting at the conclusion of this item.*

#### **1125 SLA recommendation update**

Received and considered paper 22/726C 'SLA Recommendation Update'. The Director of Estates joined the meeting to speak to this item.

Noted

*Suzanne Rankin declared a conflict of interest and withdrew from the meeting for this item.*

- 1125.1 That the last report to the Committee in June 2022 had indicated that a working group would be established to update the costed SLA by the end of calendar year 2022; that this timetable had slipped after the Director of Estates, the Deputy Director and the Head of Building Services left the University; that the working group had been meeting regularly since January 2023 and the revised timetable was completion by December 2023.
- 1125.2 That there were a number of risks for the University in relation to the completion of the SLA; that a possible change to the treatment of VAT being the highest risk at present and HMRC was reviewing the existing VAT arrangement; that professional advice was being sought on the VAT position.
- 1125.3 That there was a demonstrable commitment from both the University and CVUHB to ensuring timely completion of the SLA; that resolution of the VAT arrangements could delay the timetable.

*Suzanne Rankin rejoined the meeting at the conclusion of this item.*

#### **1126 External audit progress update**

Received and considered paper 22/703C 'External Audit Progress Update'. Ellie Hetenyi and Alex Middleton from KPMG spoke to this item.

Noted

- 1126.1 That good progress with the audit had been made thus far; that a training session had been held with management in relation to sharing documentation.
- 1126.2 That substantive testing had been undertaken and further testing was planned for the coming months to ease pressure on year end; that any issues identified would be flagged to management and the Committee at an early stage and be reflected in the risk assessment, as necessary.

Resolved

- 1126.3 For an update on testing to be provide as part of the next update to the Committee in October 2023.

#### **1127 External Audit Plan – 2022-23**

Received and considered paper 22/704C 'External Audit Plan – 2022-23'. Ellie Hetenyi and Alex Middleton from KPMG spoke to this item.

Noted

- 1127.1 That the planning and risk assessment procedures had identified the following significant risks which would be the focus of the audit:
- a. valuation of post retirement benefit obligations, the increased risk for CUPF due to the triennial valuation would require greater scrutiny;
  - b. valuation of USS Pension Provision, with challenge on the assumptions that drive the model given the value on the balance sheet;
  - c. revenue recognition – fraud and error risk related to research income only, KPMG had provided a rebuttal for other risk areas;
  - d. management override of controls, an auditing standard mandated risk.

- 1127.2 That KPMG had downgraded the capital developments risk to an “other audit risk” based on KPMG’s understanding of the work undertaken to date; that this risk would be reevaluated during the course of the audit.
- 1127.3 That group materiality had been set at 1% of revenue (£6.1m) based on the prior year total consolidated income, which would be updated once the forecast consolidated position was available; that the threshold for reporting misstatements was set at £300k; that materiality was capped at 1% given the University’s status as a Public Interest Entity.
- 1127.4 That the audit fees had been raised in line with inflation and the contract.
- 1127.5 That data analytics would be used this year to review journals posted; that it would not be possible to introduce data analytics for student tuition fees given the age and operation of the University’s systems; that traditional sampling methods would be used instead.

Resolved

- 1127.6 To approve the External Audit Plan for 2022-23.
- 1127.7 For a paper to be provided to the next meeting on the internal control framework in place to mitigate the risk of fraud and error in the recognition of research revenue.

*Suzanne Rankin and Jo Regan left the meeting.*

#### **1128 Appointment of a successor for the Head of Internal Audit**

Received and considered an oral report from the Chief Operating Officer.

*The Head of Internal Audit left the meeting for consideration of this item.*

Noted

- 1128.1 [redacted]
- 1128.2 [redacted]
- 1128.3 [redacted]

Resolved

- 1128.4 For a meeting of the Committee to be convened to consider the draft Head of Internal Audit Opinion and the statement from the Head of Internal Audit on any circumstances connected with her resignation, as required by the HEFCW Financial Management Code.
- 1128.5 For the paper on the assessment of in-house versus externally-sourced provision to consider the issues of roles, responsibilities and independence to be submitted to the Committee so a recommendation can be made to Council.

*The Head of Internal Audit rejoined the meeting.*

*The Chief Operating Officer left the meeting.*

#### **1129 Progress report against Internal Audit Programme – 2022-23**

Received and considered paper 22/697HC 'Progress Report, Internal Audit Programme 2022-23'. The Head of Internal Audit spoke to this item.

Noted

1129.1 [redacted]

1129.2 [redacted]

1129.3 [redacted]

1129.4 [redacted]

1129.5 [redacted]

1129.6 [redacted]

1129.7 [redacted]

Resolved

1129.8 To approve the proposed change to the audit programme to replace the review of the implementation of the University Policy Framework with a review of the effectiveness of University sub-committees in delivering regulatory assurance.

1129.9 Not to approve the change to the audit programme to postpone the review of research commercialisation activities and for this audit to be undertaken as a priority within the 2022-23 programme.

1129.10 For the Chair to meet with the UEB Sponsor for the research commercialisation audit to discuss the rationale for the postponement request.

1129.11 For UEB members to be reminded of the process for requesting a change to the internal audit programme.

1129.12 For the Chief Operating Officer to respond to the concerns raised about the constraints on staff time to engage with the audit process.

### **1130 Discussion points for Internal Audit Assurance Reports**

Received and considered paper 22/698HC 'Discussion Points for Internal Audit Assurance Reports'. The Head of Internal Audit spoke to this item.

Noted

#### Conflicts of Interest

1130.1 [redacted]

1130.2 [redacted]

#### Mandatory Training

1130.3 [redacted]

Resolved



1130.4 For the Director of HR to attend the meeting in October 2023 to present the report on mandatory training, including providing an overview of the reasons for mandatory training non-completion.

**1131 Follow-up of highly rated recommendations**

Received and considered paper 22/699HC 'Follow-up of Highly Rated Recommendations'. The Head of Internal Audit spoke to this item.

Noted

1131.1 [redacted]

1131.2 [redacted]

**1132 Internal Audit Strategy and Annual Plan 2023-24**

Received and considered paper 22/700HC 'Internal Audit Strategy and Annual Plan 2023-24'. The Head of Internal Audit spoke to this item.

Noted

1132.1 [redacted]

1132.2 [redacted]

1132.3 [redacted]

1132.4 [redacted]

1132.5 [redacted]

Resolved

1132.6 To approve the core internal audit programme for 2023-24 subject to confirmation of the budget and further review of the programme and its resourcing by the Committee at its meeting in October 2023 once the budget is confirmed.

1132.7 For the Head of Internal Audit to propose the level of resource and budget required to enable a full, risk based programme to be delivered.

1132.8 That it is imperative that a full programme of work is agreed and resourced as soon as possible for the new Head of Internal Audit to take forward.

1132.9 For no changes to the agreed plan to be made without consultation with and approval by the Committee in future.

**1133 Major and Serious Incidents update**

Received and considered paper 22/731HC 'Major and Serious Incident Update Report'. The University Secretary and the Chief Operating Officer spoke to this item.

Noted

1133.1 [redacted]

Resolved

- 1133.2 To approve that the report provides adequate assurance for the risks in this area.

**1134 Review of Counter-Fraud and Anti-Bribery Policies**

Received and considered paper 22/702 'Review of Counter-Fraud and Anti-Bribery Policies'. The Chief Financial Officer spoke to this item.

Noted

- 1134.1 That the updated Counter-Fraud and Anti-Bribery Policies had been updated to align with the new Anti-Money Laundering Policy and approved by the Vice-Chancellor.

- 1134.2 That it was notable that Department Heads and Heads of Schools were responsible for developing and maintaining effective controls to prevent fraud given the challenges identified earlier in the meeting in relation to academic sustainability.

Resolved

- 1134.3 For the Chief Financial Officer to confirm that it is a realistic expectation for Department Heads and Heads of Schools to develop and maintain effective controls to prevent fraud.

**1135 Public Interest Disclosure (Whistleblowing) Policy Update**

Received and considered paper 22/721HC 'Public Interest Disclosure (Whistleblowing) Policy Update'. The University Secretary spoke to this item.

Noted

- 1135.1 [redacted]

- 1135.2 [redacted]

Resolved

- 1135.3 For training on Whistleblowing for the Chair to be considered.

**1136 Results of Annual Audit and Risk Committee self-evaluation of effectiveness**

Received and considered paper 22/720C 'Results of Annual Audit and Risk Committee self-evaluation of effectiveness'. The Chair spoke to this item.

Noted

- 1136.1 That the Chair had asked Agnes Xavier-Phillips, as the most longstanding member of the Committee, to be responsible for receiving any concerns regarding the chairing of the meeting or the Chair's behaviour, and for providing feedback to the Chair anonymously.

Resolved

- 1136.2 For the results of the survey to be reviewed at the Committee's development session in October 2023.

1136.3 For a meeting to be arranged annually for members to meet without the Chair present to provide a confidential opportunity to raise any concerns.

**1137 HEFCW Institutional Risk Review Letter**

Received and considered paper 22/732C 'HEFCW Institutional Risk Review Letter'. The University Secretary spoke to this item.

Noted

1137.1 [redacted]

**1138 Any Other Business**

There was no further business discussed.

**1139 Review of risks identified in the Risk Register**

Resolved

That the risk register accurately represented the information that had been received by the Committee.

**1140 HMRC Error Correction Notification**

Received and considered paper 22/728C 'HMRC Error Correction Notification'. The Chief Financial Officer spoke to this item.

Noted

1140.1 That a review of the VAT regime on the Innovation Campus buildings was undertaken by KPMG in April 2020; that the outcome was not communicated correctly to staff and the incorrect VAT rate was subsequently applied.

1140.2 That it would be helpful for the Committee to understand any lessons learnt in relation to errors in future; that the Chief Financial Officer was reviewing the capacity and capabilities of the Finance Team and this included support for VAT arrangements which were noted as complex for the University.

**1141 Items Received for Information**

Paper 22/727C	External Audit Fees 21-22
Paper 22/724C	HEFCW Institutional Assurance Review 2021 – Internal action plan update
Paper 22/722	Schedule of Business 2023-24

**1142 Whistleblowing Reports**

Noted

That there had been no reports made under the Whistleblowing Policy since the Committee's last meeting.

**1143 Litigation Report**

Received and considered paper 22/723HC 'Litigation Report'. The University Secretary spoke to this item.

Noted

1143.1 [redacted]

1143.2 [redacted]

1143.3 [redacted]

1143.4 [redacted]

Resolved

1143.5 For future reports to detail the case settlement amount.

*The CFO and Risk Manager left the meeting for the discussion of the remaining agenda items.*

#### **1144 Assessment Panel Decision Report**

Received and considered paper 22/729HC 'Assessment Panel Decision Report'. The University Secretary spoke to this item.

Noted

1144.1 [redacted]

1144.2 [redacted]

#### **1145 External Audit Questionnaire**

Received and considered paper 22/719C 'External Audit Questionnaire'. The Chair spoke to this item.

Noted

1145.1 That the results were broadly positive and did not indicate any significant areas of concern.

Resolved

1145.2 For the External Audit Partner to respond to the survey results at the Committee's next meeting.

#### **In-Camera**

1146 Following the meeting of the Audit and Risk Committee, an *in-camera* meeting was held. The members of the Audit and Risk Committee, the Head of Internal Audit, the external auditors and the University Secretary were present.