

Audit and Risk Committee

DATE / TIME / VENUE	1330, Thursday 14 November 2024, Room 0.32, St Andrews Court
PRESENT	Professor Sandy Pepper, External Governor (Chair) Mark Readman, External Governor Liz Jolly, External Governor Alan Lees, External Governor Bahram Bekhradnia, External Governor
IN ATTENDANCE	Dr Sonia Brandon, Staff Representative Mary White, Chief Financial Officer Duncan Laird, External Auditor, KPMG LLP Louise Tweedie, Internal Auditor, RSM LLP Morgan Lowman, Student Governor
SECRETARIAT	Paul Mould, Executive Director of Corporate Governance Jacqui Bryden, Senior Governance Officer

Private Sessions

- The external governors, the staff representative, and the auditors held a private session before the start of the main meeting at 13:15.
- The external governors, the Executive and the secretariat held a private session after the main meeting at 16:30.

17 Welcome, Quoracy and Apologies

- 17.1 The Chair welcomed members to the meeting.
- 17.2 Apologies were received from: Dr Michelle Hale, Academic Governor and Professor Graham Galbraith, Vice-Chancellor; Harry Mears, KPMG LLP; and Lorna Raynes, Internal Auditor, RSM LLP.
- 17.3 The following standing declarations of interest were noted:
- Professor Sandy Pepper declared that his son worked in the UK for KPMG (US) in international tax law.
 - Alan Lees declared that he was the Chief Executive at KCG Audit.
 - For item 39, Professor Sandy Pepper declared that he was a retired partner in Price Waterhouse Coopers.
- 17.4 The Executive Director of Corporate Governance confirmed that the meeting was quorate and could proceed to business.

18 Minutes of the Previous Meeting

The minutes of the meeting held on 24 September 2024 were confirmed as an accurate record.

19 Matters Actioned and Matters Arising

- 19.1 Action was reported on six items: one item for note; four items to be received on the agenda; and one item to be received at a future meeting.
- 19.2 In discussion it was noted that the item to be received at a future meeting about the audit review of the subsidiary companies was to review the purpose of each subsidiary and consider if the University could apply an audit exemption to them.
- 19.3 The increasing use of executive summaries was welcomed by the Committee.

20 Committee Terms of Reference

- 20.1 The Committee had received its Terms of Reference at its last meeting and had agreed two amendments,
- (i) The Annual Report in section 5 provided a narrative opinion of the Committee and should focus on the data quality to provide more direction on the accountability of the Committee.
 - (ii) Section 4 about risk responsibility should refer to the University policy on the management of risk and its annual review.
- 20.2 In discussion, the Committee noted:

- (i) That the CUC Code of Practice for Audit Committees stated specific guidance on the composition of the Annual Report of the Committee as detailed in section 5 of the Terms of Reference.
- (ii) Agreed that 'on the qualitative and quantitative data' is included in section 5.

20.3 The Committee agreed the final Terms of Reference for 2024/2025 as discussed for approval at the Board.

21 University Financial Statements for the Year Ended 31 July 2024 – confidential

22 Letter of Representation

The Draft Letter of Representation is addressed to KPMG LLP from the Board of Governors. This letter provides confirmation from the Board that it has understood and fulfilled its responsibilities for the preparation financial statements in accordance with the applicable financial reporting framework and that these statements, provided to the auditors for analysis, give a true and fair view. The Committee noted the draft Letter of Representation which would be received by the Board of Governors on 27 November 2024 subject to the amendment of references to Council changed to University.

[Post meeting note:

At the Board of Governors meeting on 27 November 2024 the Chair of the Audit & Risk Committee recommended that the letter of representation be signed by the Chair of the Board of Governors, subject to receipt of a parallel letter from the Vice Chancellor to the Chair of the Board of Governors confirming that the contents of the letter were correct.]

23 University Going Concern Statement

23.1 The Committee received the Going Concern Statement for 2023/24 for the University of Portsmouth from Mary White, Chief Financial Officer. In discussion the following key points were noted:

- (i) The Going Concern Statement was produced to confirm that the University may be regarded as a Going Concern, that would be in business in twelve months from the signing of the Financial Statements. For the 2023/24 Statements this meant November 2024. The purpose was to demonstrate that the University's senior management has, and was, considering key business and financial risks and that the financial future of the University was assured.
- (ii) The Committee noted the University held high cash reserves of £290m. The University had modelled scenarios with the external auditors and had identified that in a worst-case situation corrective action would be required to avoid breach of the covenants related to the Private placement. In the unlikely event of the covenants being breached for 2024/25 the University has sufficient cash balances to pay back the £70m placement and remain a Going Concern.
- (iii) The cash flow forecasts had been prepared for the period of at least twelve months post the date of signing the financial statements to November 2025. The budget

delivered a consolidated loss of £2.9m and an operating cash flow covenant clearance of 2.54 times (£8.4m).

- (iv) Financial challenges remained across the Higher Education sector although a rise in fees had recently been announced by the Government. The external auditors confirmed that the University was a going concern.

23.2 The Committee approved the University Going Concern document for onward recommendation to the Board of Governors at the Board meeting to be held on 27 November 2024.

[Post meeting note: The Going Concern Statement for University of Portsmouth was approved at the Board of Governors meeting of 27 November 2024 Min 37 refers.]

24 Internal Audit

The Internal Audit Annual Report 2023/2024

- 24.1 On behalf of the internal auditors RSM LLP, Louise Tweedie presented a report which provided a summary of the work undertaken by the internal auditors during the 2023/2024 session.
- (i) The auditors' overall opinion was that, for the year 2023/2024, the University has an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness. However, RSM had identified further enhancements to the frameworks for risk management, governance, internal control and economy, efficiency and effectiveness to ensure that it remained adequate and effective.
 - (ii) The Committee noted that this was an improvement on last year's opinion. RSM had identified that there were some management actions to be complete and that there had been considerable work done by both the University and the internal auditors to clear up actions because management could be slow to follow up on their audit actions.
 - (iii) The Committee requested an update on the outstanding management actions to understand the progress and the issues, and that the summary and opinion provided by the internal auditors should be provided in a clearer format.
- 24.2 Following discussion, the Committee noted the annual internal audit report and the improvement against last year.

Progress Update Report

- 24.3 The Committee received an update on progress against the internal audit plan for 2023/2024 from Louise Tweedie, RSM LLP and noted that the nine audits that had been scheduled for 2023/2024 had been completed. Two audit reports would be discussed on the agenda that had been discussed with managers and at UEB.

- 24.4 The internal audit plan for 2024/2025 had been revised to complete eight internal audits and would allow the internal auditors to provide an opinion. The dates had been agreed for five audits and the dates of three audits were to be confirmed following further discussion.

Mental Health and Wellbeing Arrangements and Action Plan

- 24.5 The Committee noted that the overall conclusion of the audit was partial assurance. In discussion the following key points were noted:
- (i) There had been two high priority actions and four medium priority actions which had been addressed in a detailed action plan by the Director of Wellbeing. The high priority actions related to the procurement of a case management system (CMS) and to the completion of safeguarding training by all staff within 12 months of commencing employment.
 - (ii) The CMS would be procured by September 2025 and a framework was in place to manage cases through weekly student concern meetings. The preferred supplier was Salesforce. Hornbill had been considered but did not have a direct link to other student portals. The business case for procurement would include a view on the unsuitability of Hornbill as a CMS.
 - (iii) University wellbeing was managed jointly with HR and considerable progress had been made in improving student services in the last year.
- 24.6 The Committee noted the report and the action plan, which was largely completed or on track to be completed.

London Campus and Action Plan

- 24.7 The Committee noted that the overall conclusion of the audit was partial assurance. In discussion, the following points were noted:
- (i) The London Campus was a project and the audit had looked at the project business case, and the management of risks once the campus had opened and was operational in May 2024 to identify if the intended benefits had been realised. There had been five medium priority actions which had been addressed by an action plan managed by the Principal of the London Campus, of which one action had been completed.
 - (ii) The audit identified that there needed to be more focus on project management and that the business case had concentrated on delivery and not what could be done. A narrative summary was provided.
 - (iii) The University Strategy, Transformation and Resources Committee (USTaRC) would establish a small high-performing project office that would provide template business cases for minor and major projects and support strategic projects. It was important to establish firm boundaries for the project office.
 - (iv) The involvement of Board members in strategic projects was discussed and also the management of risk. The London Campus had progressed at a far slower rate than had been anticipated and the impact of emergent risks such as lower international recruitment due to external factors had not been highlighted promptly. RSM had concluded that the Board had not fully understood the joint venture agreement and it

was important to clarify the future responsibility and involvement of the Board particularly in the context of risk management.

- 24.8 The Committee noted the report and the action plan as well as the learning points from the project itself.

Annual Follow Up Report 2023/2024

- 24.9 The Committee received and noted the annual follow up report which followed up on the progress made to implement the previously agreed management actions from all the audits carried out during the year. The outcome was 'little progress' and it was noted that the report did not fully reflect the recent activity in management actions which would provide a good starting point for 2024/2025. In discussion, the Committee noted that following:
- (i) There was some time lag in updating the system and the report was not a reflection on the current situation.
 - (ii) It was important that managers took ownership of audit reports and acted to address the issues identified and would be a cause for concern if it was evident that actions were not being addressed. It was noted that there had been considerable pressure on managers in the past year. The internal auditors would provide an update on management follow up actions at the meeting in February.

Action: Senior Governance Officer

25 Draft Annual Report of Audit and Risk Committee

- 25.1 The Committee received the draft annual report of the Audit and Risk Committee from Paul Mould, Executive Director of Corporate Governance. The CUC Higher Education Audit Committees Code of Practice 2020 states that the Audit Committee should produce an annual report for the governing body and the Head of Institution, timed to support the preparation of the published financial statements. The annual report of Audit and Risk Committee covered the financial year 1 August 2023 to 31 July 2024. In discussion it was noted that:
- (i) Section 2 should include the number of meetings held during the year and attendance against each member.
 - (ii) Section 16 was a work in progress and revised to reflect the current status.
 - (iii) In section 19, two audits that had been carried out in 2022/2023 were included because they had been presented at meetings held in 2023/2024. A narrative would be added to provide clarity that the report was a follow up.
 - (iv) Section 61 provided wording with reference to the CUC Audit Code of Practice 2020 and would be struck out for this year and amended appropriately for 2024/2025. The report format would be revised for the next year.
 - (v) The Committee considered the draft report, which would be updated with relevant points following discussion at this meeting and the inclusion of minute references as appropriate.

- 25.2 The Committee confirmed that it was content to give the assurances that it was required to

provide to the governing body and agreed to recommend that the report should be submitted to the Board of Governors meeting to be held on 27 November 2024 subject to the amendments noted above.

[Post meeting note: The annual report of the Audit and Risk Committee was approved at the Board of Governors meeting of 27 November 2024 Min 47 refers.]

26 UKRI Funding Assurance Audit Report 2024/2025

- 26.1 Mary White, Chief Financial Officer presented the outcome of the audit report provided by UK Research and Innovation on funding assurance. The audit was carried out as part of regular audit cycle of the UKRI through their funding assurance programme for which there is a requirement to provide an assurance that public funds destined for research are properly safeguarded and used for the purposes intended. The following key points were noted:
- (i) The report provided an overall assurance rating of 'Moderate Assurance; with seven recommendations to be implemented.
 - (ii) There were three mandatory actions in relation to timesheets and charging of expenditure; one medium action and three low priority actions.
- 26.2 The Committee noted the report and the seven recommendations.

27 Annual Report on the Prevent Duty

- 27.1 Committee received from a report on the University's delivery of the Prevent Duty during 2023/24 from Kevin Child, Director and Principal Safeguarding Officer of Students. In discussion the following key points were noted:
- (i) It was a statutory requirement that all universities demonstrated due regard for the Prevent Duty. The annual Prevent Duty report was produced to provide the Board with the evidence necessary for it to provide the assurances required by the OfS in the annual accountability declaration and data return to be submitted by 1 December 2024. The OfS required the University to provide a statistical return of the number of Prevent cases reviewed and the Prevent-related training provided to staff during 2023/2024.
 - (ii) The responsibilities under the duty were broadening as potential threats from right wing groups, incels (involuntary celibates) and organised crime were identified. The University worked closely with the Police, local authority and support groups.
- 27.2 The Committee agreed that the report demonstrated that the University had given due regard to the Prevent Duty over the last academic year, whilst balancing this duty with other legal duties to protect freedom of speech and academic freedom.
- 27.3 The Committee agreed that the Prevent Duty report should be submitted to the Board of Governors meeting to be held on 27 November 2024.

28 Assurance Statement on Quality

- 28.1 The Committee received the Academic Quality Assurance prepared by Rebecca Di Pancrazio, Interim Academic Registrar and presented by Professor Anne Murphy, Deputy Vice-Chancellor (Education). In discussion, the following points were noted:
- (i) The report forms part of the evidence gathering for the Office for Students (OfS) Accountability Return. The Assurance Statement reflects the Board of Governors' oversight of academic governance arrangements during the 2023/24 reporting period, and leading into 2024/25 academic year.
 - (ii) There was discussion about the OfS ongoing conditions of registration and the University's assurance level in meeting these conditions. It was noted that the University actively engaged with the B3 metrics to evaluate the metrics against internal activities and outcomes in detail.
 - (iii) The University was not meeting all the conditions of B3 in some individual courses and the OfS acknowledged that if a course did not meet the B3 metrics threshold, it did not automatically signify that the conditions of registration were not being met. The OfS would look at a range of wider information sources and given the University's TEF Gold status, the Ofsted Monitoring visit outcome, and general overall compliance, the overall risk to the University of an OfS visit was low.
 - (iv) The University was making good progress to ensure that the A conditions were met.
 - (v) The most significant change from last year was that the University had amended its Academic Regulations to support students at the earliest intervention and had retained students due to active support that prevented early failure or withdrawal. The rate of student retention was 200 above the target.
 - (vi) Reduction of the awarding gap was a key tenet of the Access and Participation Plan because it had widened in the last year from 23.8% to 27.1% and a focused campaign called 'Raising the Heat on the Awarding Gap' to include on training and awareness on closing the gap had been instigated. The dashboard that provided information on the awarding gap was nearly completed and would provide information on the detail of the student journey including progression and employment gaps.
- 28.2 In discussion, it was noted that:
- (i) Analysis of the awarding gap was important to ensure that gender and entry qualifications were taken into account.
 - (ii) The OfS thresholds were averaged across all HE institutions and not specific to individual institutions, which could be considered an imbalance.
 - (iii) The focus on student outcomes had made a difference because the number of students required to complete a year had reduced. The University had enabled students to undertake re-sits immediately and had provided support for crises and for students that indicated they were struggling. The significant difference made was to closely examine behaviour and outcomes and ensure that the University responded appropriately.

28.3 The Committee agreed that the report provided assurance that the University had appropriate and robust quality assurance processes, that it had maintained academic standards and continued to enhance the quality of the student experience during 2023/2024.

28.4 Following the Ofsted inspection that had just been completed, the outcome appeared positive. The Committee complimented all involved on the result.

29 Apprenticeship Self-Assessment Report and Quality Improvement Plan

29.1 The Committee received the Quality Assurance Statement for Apprenticeships provided by Amy Dymond-Hobbs, Deputy Academic Registrar and presented by Professor Anne Murphy. In discussion it was noted that:

- (i) The Self-Assessment Report (SAR) has been completed in conjunction with course leaders who have completed Course Self-Assessment Reports providing analysis against the OfSTED Education Inspection Framework.
- (ii) Both the SAR and the Quality Improvement Plan (QIP) would need to be updated in line with the recent Ofsted inspection.

29.2 The Committee agreed that the updated report and plan would be received at its next meeting in February 2025.

Action: Senior Governance Officer

30 Modern Slavery Act 2015 Review of Statement

30.1 The Committee received an updated Modern Slavery Statement from Paul Mould, Executive Director of Corporate Governance. Key points noted were:

- (i) The Modern Slavery Act 2015 required organisations (and their subsidiaries) with a turnover of more than £36m to produce and publish an annual slavery and human trafficking statement or a declaration that they had no statement to publish. The statement should be published within six months of the financial year end.
- (ii) The annual statement provided an update on the actions proposed in the University's previous annual statement and set out the further steps that the University planned over the next twelve months.

30.2 During discussion, the Committee noted:

- (i) The University undertook comprehensive due diligence on potential suppliers to ensure that there was no breach of the Statement.
- (ii) Higher risk potential suppliers were required to provide assurance in their bid to tender for University contracts that they would adhere to the Modern Slavery Statement. In addition, the University made use of established consortia in which adherence was a pre-condition.
- (iii) A Procurement Policy was in development and would include the role of the University as a research partner and working in overseas jurisdictions.

30.3 Following discussion, the Committee agreed to recommend the statement to the Board for approval at its meeting of 27 November 2024.

[Post meeting note: The Annual Slavery and Human Trafficking Statement was approved by the Board of Governors at its meeting on 27 November 2024, Min 49 refers.]

31 Risk Management Update

31.1 The Committee received an update on the University's approach to risk management from Paul Mould, Executive Director of Corporate Governance. The key points noted were:

- (i) The report provided the first draught of the potential summary risks to be include in the corporate Risk Register in order to obtain feedback before taking the document to UEB as owners of the Risk Register for to develop the new version. The potential risks covered the broad risk themes at the levels on which the University should be focused.
- (ii) Risks were separated into two sections within the Corporate Risk Register:
 - a. Those falling under the "Enterprise Risk" category is considered to have the capacity to impact on the very existence of the University.
 - b. Those in the "Strategic Risk" category might impede particular strategic objectives if they were to crystallise, but they would be unlikely to affect the existence of the University.
- (iii) The Risk Management Forum and its membership would be established as part of the University Strategy, Transformation and Resource Committee (USTaRC).
- (iv) A compliance map would be developed as part of the Risk Management Framework.
- (v) The potential risks had been identified from the current risk register and with reference to benchmark reports provided by the internal and external auditors.

31.2 The following points were noted in discussion:

- (i) The potential risks were an improvement on the previous version of the risk register although 30 potential risks would be difficult to manage actively.
- (ii) It was important to understand the difference in enterprise and strategic risk and ensure the correct use of nomenclature so that strategic risk did not become operational.
- (iii) The proposed risk register would be considered as part of the Board effectiveness meeting in January 2025 and it would be important to identify the top ten risks to be actively managed and allocated to risk leads and to other Board committees. The updated risk register would not be used as a log but would include an understanding of actions and progress. Some risks such as safeguarding and cyber security would be the responsibility for all risk owners.

31.3 Following discussion, the Committee:

- (i) Members would provide the Executive Director of Corporate Governance with a list of what would be considered the top ten risks from the proposed risks provided.
Action: Executive Director of Corporate Governance
- (ii) The number of risks on the current risk register that had continued to be a red issue for more than 12 months were an issue and there was a brief discussion about the London Campus. Capital expenditure programmes should incorporate the management of their associated risks to ensure delivery as anticipated and the language of risk should be used in projects.
- (iii) The revised approach provided a good direction of travel and it was important to maintain that trajectory and reduce the complexity of information.

32 Arrangements for Committee Effectiveness Self-Assessment

32.1 The Committee received a report from Paul Mould, Executive Director of Corporate Governance about the Audit and Risk Committee Effectiveness Review 2024/2025. The key points noted were:

- (i) The proposal was to utilise the self-assessment questionnaire that had been circulated in 2023/2024 in and for it to be distributed using the survey monkey tool.
- (ii) The Committee agreed that using the same questionnaire as previously was a sensible approach as it would allow a comparison with the previous review.
- (iii) The questionnaire would be circulated for completion in March 2025 in order for the outcome to be reported to the Committee at its meeting on 22 May 2025.

32.2 Following discussion, the Committee agreed the questions and that the self-assessment questionnaire be carried out using an online survey questionnaire.

33 Non-Audit Services Provided by External and Internal Auditors

33.1 The Committee noted the planned non-core audit services provided by the internal and external auditors during the period 1 September 2024 to 31 October 2024 and confirmed that these were appropriate and would not compromise the auditors' independence.

33.2 The Committee noted the annual report on audit fees paid to, and additional services purchased from, the external and internal auditors in 2023/2024 and confirmed that the additional payments were appropriate and presented no risk of compromising the auditors' independence.

33.3 The Committee noted the statement of independence for the external auditors had been included within the management letter (Min 25.2(iii)) and for the internal auditors had been included in their annual report (Min 24).

34 Health and Safety

Health and Safety Quarterly Report

34.1 The Committee received and noted the quarterly report summarising the actions that had

been taken during the period 1 May 2024 to 31 July 2024.

Health and Safety Annual Report 2023/2024

- 34.2 The Committee received the Health and Safety Annual Report 2023/2024. The Annual Report of Health and Safety 2023/2024 would be presented to the Board meeting in January 2025.

Health, Safety and Wellbeing Committee

- 34.3 The Committee noted that the draft Health, Safety and Wellbeing Committee minutes of 11 December 2024 would be circulated when they were available.

35 Annual Report on Student Complaints

- 35.1 The Committee noted the annual report on student complaints received during the academic year 2023/2024 prepared by Samantha Hill, Information Disclosure and Complaints Manager.

36 OfS Publications

The Committee noted the full list of OfS publications could be found at:
<https://www.officeforstudents.org.uk/publications/>.

37 Confirmed Meeting Dates 2025

The Committee noted the confirmed meeting dates for 2025 and the dates for 2025/2026 to be confirmed:

- 22 May 2025, 0930 to 1200

38 Date of Next Meeting

The next meeting would be held on Thursday 27 February 2025, 0930 to 1200.

39 Process for the Tender of Internal Audit - confidential