



## MEETING OF THE AUDIT COMMITTEE

MONDAY 10 SEPTEMBER 2018

Board Room, Beacon House, Queen's Road BS8 1QU 14.00 – 17:00

### MINUTES

**Present:** Dr M Bishop, Ms J Goldstein, Dr J Manley, Mr A Poolman (chair), Mr I Robinson, Mr A Willis

**In attendance:** Mr M Axtell (Deputy CFO) – from Item 12, Ms R Geller (Registrar), Mr R Kerse (COO), Ms Nicola Key (TQEC Programme) – item 6 only, Prof. G Orpen (DVC & Provost), Mr J Smerdon (Group Finance Director), Mr J Sutherland (Head of Governance & minutes), Tom Loader and Richard Bott (Mazars - outgoing internal auditors); Andrew Manning and Alastair Campbell (RSM - incoming internal auditors); Heather Ancient (PwC - external auditors)

**Apologies:** Prof. H Brady, Dr E Lithander, Mr D Sturley

#### 1 WELCOME

- 1.1 The Chair welcomed members and noted apologies.
- 1.2 There were no matters to raise under Chair's business:

#### 2 DECLARATIONS OF INTEREST

- 2.1 No new interests were declared.

#### 3 MINUTES OF THE PREVIOUS MEETING

- 3.1 The minutes of the meeting on 16 July 2018 were APPROVED as a true and accurate record of the meeting.

#### 4 MATTERS ARISING & ACTIONS

##### 4.1 WHISTLEBLOWING

###### 4.1.1 [REDACTED: Personal information]

- 4.1.2 As part of the review of the Whistleblowing Policy, the Committee asked GO to reflect on whether he is best placed to be the Whistleblowing Officer given his line responsibility for a substantial part of the University. GO agreed that this should be reconsidered and to reflect this in his paper. The arrangements for the ongoing engagement of the Audit Committee will be proposed in the paper, which will be submitted to the next meeting.

##### 4.2 ACCEPTABLE BEHAVIOURS POLICY

- 4.2.1 It was noted that Acceptable Behaviours policy is within the remit of the HR Committee and a review of the policy will be dealt with in that forum.

##### 4.3 PROFESSIONAL SERVICES SENIOR STAFF TURNOVER

- 4.3.1 RG reconfirmed the conclusion of the paper, that retirement (or steps toward retirement) was the principal reason for recent departures and that action to appoint high quality individuals to replace retirees was being taken.
- 4.3.2 The Committee was informed that retention incentives are used where appropriate and succession planning is an activity taken seriously within the institution. The Committee noted that steps have been taken to ensure there were not unbridgeable gaps between layers of the organisation to facilitate internal succession planning and that leadership development programmes are in place to support this. **[REDACTED: Personal information]**
- 4.3.3 In response to a question, it was confirmed that there was neither evidence to suggest that UoB was an outlier in terms of senior staff turnover nor that decisions were being influenced by current issues with pay or pension. **[REDACTED: Personal information]**
- 4.3.4 In response to a question, it was noted that the availability of data has prevented detailed analysis of attrition, but ERP could enable this going forward.

#### *4.4 PROCESSES ADOPTED TO DEVELOP RESIDENTIAL LIFE SERVICE MODEL FOR 2018/19*

- 4.4.1 The paper was received and its contents noted. By way of introducing the item, it was observed by the Chair that the Committee did not feel that there has been sufficient opportunity to test the governance of the decision-making processes in respect of this review. In particular, the Committee could not find evidence to demonstrate that management had fully reflected the reputational risk associated with the planned changes in the decision making process that it adopted. It was agreed that a 'lessons learned' paper considering the process by which the decision was reached would be prepared to assist the Committee in its review of the governance of the decision making process. This would conclude on any required changes to processes for future decisions of a similar nature.
- 4.4.2 In response to a request for a copy of the legal opinion referred to in the paper, it was confirmed that the Chair of Board of Trustees and the University's Legal Department have shared and discussed the legal opinion and access to this would require a request made to the Chair.
- 4.4.3 **[REDACTED: likely to prejudice commercial interests].**
- 4.4.4 The following ACTIONS were agreed:
- RG and AP to agree the brief for the follow-on paper required for the Audit Committee. The brief and timing of the paper will be shared with the Audit Committee;
  - In line with OfS expectation, "Risks to Wellbeing of Students" is a topic that Audit Committee will include on its agenda during 2018/19.
  - AP to contact the Chair of the Board of Trustees to request sight of the legal opinion provided by the Legal Department.
- 4.5 The actions shown on the Action List as "Proposed Close" were agreed as closed.

## **5 MISSION CRITICAL RISK UPDATE**

- 5.1 RECEIVED AND NOTED: paper ref: AUD/18-19/001

- 5.2 AP highlighted Risk 7 as Red and Worsening and noted that the topic of USS Pensions would be covered later in the meeting and invited comment from the Committee.
- 5.3 It was queried as to whether the view of Risk 1 - Student Experience had taken account of the drop in the NSS results. It was noted that at the time of writing this information was not available but that consideration of NSS will feature in the ongoing assessment of this risk.
- 5.4 The Committee asked the Executive Team to confirm its comfort with the rating of Risks 9 and 12, given both recent experience in implementing change and the risk report elsewhere in the agenda linked to Temple Quarter.
- 5.5 A query was raised on Risk 10 as to whether the results of the staff survey support the assessment of Green. RK opined that Risk 10 was specific to retention and recruitment, which is considered to be Green at present. On the subject of the staff engagement survey, it was shared that that work is underway to benchmark "engagement" against comparable organisations, although the timing of the survey in respect of industrial action were highlighted. The results are still in the process of being shared within the institution.

## **6 TEMPLE QUARTER ENTERPRISE CAMPUS RISK UPDATE**

- 6.1 RECEIVED AND NOTED: paper ref: AUD/18-19/002. Nicola Key joined the meeting.
- 6.2 GO led the item and introduced NK to the Committee. GO noted that NK has looked at governance structures and risk processes in forming a view on TQEC and how to report on the programme. GO invited the Audit Committee to provide its views on the content and format of the reports to inform the development of a common set of reporting templates.
- 6.3 NK talked to the paper and set out the methodology and presentation of risk in addition to the risk themes that are being reported against, picking up each theme in turn. **[REDACTED: likely to prejudice commercial interests]**.
- 6.4 **[REDACTED: likely to prejudice commercial interests]**.
- 6.5 In response to a question on approval controls, GO confirmed that NK is developing a robust picture of the approval gateways which can be shared in due course and potentially developed into a methodology for wider use within the University. It was agreed that this would be shared at the meeting in February 2019. **[REDACTED: likely to prejudice commercial interests]**.
- 6.6 CONCLUSION. The Committee noted the quality and clarity of the report and the importance of this subject to the Audit Committee. It was requested that TQ becomes a standing item on the Committee agenda from February.

## **7 ACCOUNTS DIRECTION**

- 7.1 RECEIVED AND NOTED: paper ref: AUD/18-19/003
- 7.2 JSm introduced the paper noting that its purpose was to give confidence that there was awareness of the OfS direction of travel and that it is being managed.
- 7.3 Remuneration was highlighted as the most notable item and that in respect of this, University will aim for a highly transparent and best practice approach.

## **8 2017/18 FINANCIAL STATEMENTS AUDIT: INTERIM REPORT**

- 8.1 RECEIVED AND NOTED: paper ref: AUD/18-19/004

8.2 HA introduced the item and noted that a key aspect of this year's testing has been related to the transfer of data onto the new system (ERP) and that this had been satisfactorily concluded. HA noted that the audit is not as progressed as initially intended due to the new finance system but daily catch ups are in place between University and PwC and there is no cause for concern in terms of quality or timeframes.

8.3 JSm agreed that the audit is currently behind schedule but that there are no concerns with meeting the deadlines for completion.

## **9 EU CASE - DYNASSEMBLY**

9.1 RECEIVED AND NOTED: paper ref: AUD/18-19/005.

9.2 **[REDACTED: likely to prejudice commercial interests].**

9.3 **[REDACTED: likely to prejudice commercial interests].**

## **10 RESEARCH MISCONDUCT INVESTIGATION**

10.1 RECEIVED AND NOTED: paper ref: AUD/18-19/006.

10.2 **[REDACTED: Personal information]**

10.3 **[REDACTED: Personal information]**

10.4 **[REDACTED: Personal information].**

## **11 COO REPORT**

11.1 RECEIVED AND NOTED: paper ref: AUD/18-19/007.

11.2 RK led the Committee through the item. The Committee heard that the picture at the end of the year is consistent with the messages throughout the year. **[REDACTED: likely to prejudice commercial interests].**

11.2.1 HA was asked what the impact of the uncertainty would be in terms of being able to sign off on accounts. HA talked through the information that would be provided such as the third party valuation and confirmation of agreed insurance proceeds and the standards will be applied noting that there will be no impact on the ability to signoff the accounts.

11.2.2 RK drew attention to the forward-looking position, emphasising that the sector has significant uncertainty. **[REDACTED: likely to prejudice commercial interests].**

11.2.3 The Committee asked RK to expand on section 2.2 of his report. **[REDACTED: likely to prejudice commercial interests].**

11.2.4 In response to a question, it was confirmed cash and debt positions included anticipated overruns and contingency. **[REDACTED: likely to prejudice commercial interests].**

11.2.5 RK was invited to provide comment on the current position in relation to the USS Pension. The Committee was reminded that the sector has set up the Joint Expert Panel to give a view on the USS Scheme Valuation and was due to publish its report in September. It was noted that the Scheme Trustees have a responsibility to maintain the funding position of scheme and in line with this duty, have commenced a consultation exercise regarding an increase in funding by employers and employees. **[REDACTED: likely to prejudice commercial interests].**

11.2.6 **[REDACTED: likely to prejudice commercial interests].**

## **12 LONG-TERM FINANCIAL PLAN & SENSITIVITY ANALYSIS** *(MA joined the meeting)*

- 12.1 RECEIVED AND NOTED: paper ref: AUD/18-19/013.
- 12.2 MA led the Committee through this item noting that the objective of the paper is to demonstrate how management has looked at the long-term horizon. **[REDACTED: likely to prejudice commercial interests]**.
- 12.3 **[REDACTED: likely to prejudice commercial interests]**.
- 12.4 **[REDACTED: likely to prejudice commercial interests]**.
- 12.5 In considering the potential mitigating actions within the long-term plan, the Committee asked the extent to which these had been practically tested in terms of management's ability and timing to implement. It was noted that there are a range of mitigations and some would have a longer lead time than others to be effective but that there was comfort that these were adequate and realistic
- 12.6 **[REDACTED: likely to prejudice commercial interests]**.

## **13 INTERNAL AUDIT PROGRESS REPORT**

- 13.1 RECEIVED AND NOTED: paper ref: AUD/18-19/008.
- 13.2 Chair welcomed RB to his final meeting
- 13.3 TL was invited to talk to the Progress Report and highlighted the medium impact actions in each of the reports
- 13.4 In respect of Space Utilisation, a question was raised as to how much space is leased rather than owned. It was confirmed that historically this had been very low but had recently increased as part of the repurposing of Senate House.
- 13.5 RB noted that the reports on DYNASSEMBLY and UKVI Staff have been issued since the Progress Report had been issued. RB confirmed that the remaining outstanding reports are highly unlikely to impact on his overall Internal Audit Annual Opinion.

## **14 INTERNAL AUDIT ANNUAL REPORT (DRAFT)**

- 14.1 RECEIVED AND NOTED: paper ref: AUD/18-19/009.
- 14.2 RB highlighted that the overall format is consistent with prior years and drew attention to Section 3. RB noted that a key flavour is that there has been a constructive approach in the discussion and agreement of findings and the associated actions. It was highlighted that year-on-year comparisons are not always appropriate but nonetheless drew attention to the fact that only 3 High Impact actions have so far been raised this year, two of which related to an area identified to Mazars by the University.
- 14.3 RB noted that the opinions offered in Section 3 amount to unqualified opinions
- 14.4 The Chair thanked RB and his colleagues for their work with the University and offered his personal thanks for the support provided by RB during his time as the Internal Auditor for the University.
- 14.5 RESOLUTION: Audit Committee accepted the draft report and authorised the Chair of the Committee and COO to accept any minor changes on behalf of the Committee as the remaining internal audit reports are finalised.

## **15 FINALISED AUDIT PLAN 2018/19**

- 15.1 RECEIVED AND NOTED: paper ref: AUD/18-19/010

- 15.2 AM led the item and took the Committee through the paper. In particular AM drew the Committee's attention to the sample terms of reference that had been included and noted that sponsors had been identified for the IT Resilience and GDPR Follow Up audits.
- 15.3 The Committee was informed that recruitment for the University's internal auditors, as part of the co-sourced model, has progressed well with offers being extended to two FTEs. Until the individuals have joined the University, RSM will conduct the fieldwork.
- 15.4 The Committee enquired as to how RSM could provide reassurance that sufficient time had been allocated to each activity. AM responded by noting the shift in the resourcing model to a hybrid team, which will allow for greater embedding of the team into University and the deployment of a robust QA methodology to ensure that testing is going to the required level to give the appropriate level of assurance. We will adjust and respond to any findings accordingly

## **16 OfS REQUIREMENTS OF AUDIT COMMITTEES**

- 16.1 RECEIVED AND NOTED: paper ref: AUD/18-19/011.
- 16.2 HA confirmed that this document is provided for information noting the content of p147 regarding the implications for Audit Committees.

## **17 TERMS OF REFERENCE REVIEW**

- 17.1 RECEIVED AND NOTED: paper ref: AUD/18-19/012.
- 17.2 The Committee accepted the recommendation in the paper
- 17.3 The Committee assigned an ACTION to the Chair of the Audit Committee and the Registrar to undertake a thorough review of the terms of reference in light of the emerging OfS expectations.

## **18 ANY OTHER BUSINESS**

- 18.1 AP noted that this was RG's last Audit Committee with the University and thanked her for her contribution to the University and to the business of the Audit Committee.
- 18.2 Appointment of External Auditor (*Externals left the meeting, GO left the meeting*)
- 18.2.1 Interview panel met the two parties who had submitted tenders for the work. The recommendation to Audit Committee is that PwC is re-appointed.
- 18.2.2 JSm described the selection process and the key criteria that informed this recommendation. Questions were invited from the Committee.
- 18.2.3 There was a question as to whether both tendering parties would consider that a fair process has been followed. JSm confirmed that in his opinion the process was fair and re-emphasised some of the key points of process. MA and RK confirmed they had nothing to add to the explanations already provided.
- 18.2.4 It was confirmed that the scoring mechanism didn't change during the process and that both parties had the same information available to bid, even though there were stark differences between the proposals in terms of costs and approach.
- 18.2.5 CONCLUDED that the Committee is to recommend PwC to the Board of Trustees as appointment as External Auditor.
- 18.3 The Committee asked a question of RK as to whether he is comfortable that he has sufficient capacity to fulfil his FD role. RK confirmed that MA and JSm were providing very adequate cover for the duties and that the decision to remain as the FD was

predominantly to avoid unnecessary administrative changes connected to matters such as bank mandates.

18.4 ACTION – The Committee asked that JSu circulate the revised Organisational Charts to the co-opted Audit Members

## **19 DATE OF NEXT MEETING**

19.1 The date of the next meeting was confirmed as 22 October 2018, 14:00 – 17:00 in Board Room, Beacon House, Queen's Road, BS8 1QUa