



MEETING OF THE AUDIT COMMITTEE

MONDAY 04 FEBRUARY 2019

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

MINUTES

Present: Prof Mary Bishop, Julie Goldstein, Dr John Manley, Andy Poolman (Chair).

In attendance: David Broughton (RSM), Jenny Champion Smith (Deputy Head of Planning and Business Intelligence – part meeting), Mark Ellis (PwC), Robert Kerse (Chief Operating Officer), Andrew Manning (RSM), Professor Guy Orpen (DVC New Campus Development – part meeting), Jason Smerdon (Group Finance Director), Professor Judith Squires (Deputy Vice-Chancellor and Provost), James Sutherland (Head of Governance),

Apologies: Dr Moira Hamlin, Dr Erik Lithander (PVC Global Engagement); Andrew Willis, Lynn Robinson (Interim Registrar),

1 WELCOME

- 1.1 The Chair opened the meeting confirmed that the meeting was quorate. JSq was welcomed to her first Audit Committee meeting as DVC and Provost and JG was welcomed to her first meeting as a co-opted member of the Audit Committee.
- 1.2 Apologies were noted from MH, EL, AW and LR.

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 22 October 2019 were APPROVED as a true and accurate record of the meeting with a minor change requested by MB ahead of the meeting.

4 MATTERS ARISING & ACTIONS

- 4.1 AP raised a matter which had been discussed by the members during their pre-meeting relating to the role of the Audit Committee in providing assurance over the annual report and accounts. It was reconfirmed that the role of the Audit Committee is to receive the report from the external auditors and confirm to the Board that it was not aware of any reason as to why the annual report and accounts cannot be approved. It was requested that the breadth of the responsibility be clear in the terms of reference for the Audit Committee, particularly in light of the increasing complexity of the University.
- 4.2 The closure of the actions was agreed as per the action list.

5 NOVEMBER MANAGEMENT ACCOUNTS

- 5.1 RECEIVED AND NOTED: paper ref: AUD/18-19/023

- 5.2 **[REDACTED: likely to prejudice commercial interests].**
- 5.3 **[REDACTED: likely to prejudice commercial interests].**
- 5.4 From a risk perspective, the Audit Committee sought to understand the likelihood of strike action. It was reported that there is currently a national ballot on pay, the outcome of which will be known in due course. **[REDACTED: likely to prejudice commercial interests].** Continuity planning for industrial action continues.
- 5.5 In respect of the costs associated with the stabilisation of ERP figure it was confirmed that this figure covers both additional resourcing within the team and additional project costs. JSm stated that his target is to reduce the run-rate overspend to zero by the end of the financial year.
- 5.6 **[REDACTED: likely to prejudice commercial interests].**
- 5.7 A question was asked in relation to the return on Intellectual Property and whether the University is doing enough to protect its economic interests. The management view is that the current approach is appropriate and that part of the core mission of the University is to move research into education or commercial application. The commercialisation policy had undergone a thorough review in the previous twelve months. **[REDACTED: likely to prejudice commercial interests].**
- 5.8 The Committee thanked RK and JSm for the updated format of the report.

6 ANNUAL ACCOUNTABILITY RETURN: TRANSPARENT APPROACH TO COSTING 2017/18

- 6.1 RECEIVED AND NOTED: paper ref: AUD/18-19/024
- 6.2 AP presented the report, which he had approved under Chair's action on 25 January in order to meet the submission deadline for the Office for Students. AP summarised his conclusion that University of Bristol is complying with the requirements of the regulatory body in its completion of this return and invited JSm to add further comment.
- 6.3 JSm talked through the approach which is about allocating costs to different aspects of the University's activities and confirms the sustainability of the University. JSm confirmed that he is confident that the calculations are completed correctly and that University of Bristol is not an outlier in respect of the wider sector.
- 6.4 **[REDACTED: likely to prejudice commercial interests].**
- 6.5 It was confirmed that the cost of debt does not directly feature in the TRAC
- 6.6 The Audit Committee ratified the conclusions reached by the Chair.

7 HORIZON SCANNING: POTENTIAL FINANCIAL IMPLICATIONS OF THE POST -18 FUNDING REVIEW – *Jenny Champion-Smith joined the meeting*

- 7.1 RECEIVED AND NOTED: paper ref: AUD/18-19/025
- 7.2 The Committee focussed its conversation on the potential implications of the Augar Review and the mitigating actions that are currently underway. It was recognised that tuition fee pledges and future General Elections, senior pay and "value for money" are all factors influencing the outcome of the review and that the most likely outcome would be some form of reduction in funding.

In terms of timing, management is expecting the review to be published in late February, which will then inform the Government's 2019 Spending Review. [REDACTED: likely to prejudice commercial interests].

8 MISSION CRITICAL RISK UPDATE

8.1 RECEIVED AND NOTED: paper ref: AUD/18-19/028

8.2 [REDACTED: likely to prejudice commercial interests].

8.3 [REDACTED: likely to prejudice commercial interests].

8.4 [REDACTED: likely to prejudice commercial interests].

9 COO REPORT – INCLUDING USS UPDATE AND FRY UPDATE

9.1 RECEIVED AND NOTED: paper ref: AUD/18-19/026. It was noted that a legally privileged paper had been circulated offline to Trustees but that this did not require further discussion at Audit Committee.

9.2 RWK took the Committee through the paper and NOTED the key performance matters, risks and issues across the COO's portfolio. In respect of non-USS pensions, it was referenced that the pension strategy has been approved and is designed to increase parity across the different schemes available to UoB staff.

Property

9.3 In terms of an update on the Fry Building, [REDACTED: likely to prejudice commercial interests].

9.4 [REDACTED: likely to prejudice commercial interests]

IT

9.4 Increase in Phishing attacks was recognised and the importance of contingency planning. JM raised a question about whether the balance between monitoring and prevention of attacks was correct, noting that total prevention might be considered to be impossible but that it was important to identify when security had been compromised and respond quickly to minimise the impact.

Other

9.5 [REDACTED: likely to prejudice commercial interests].

10 DEVELOPMENT OF RISK MANAGEMENT FRAMEWORK

10.1 RECEIVED AND NOTED: paper ref: AUD/18-19/027

10.2 JCS introduced the item, referencing the session held with the Trustees in October and talked through the update to Audit Committee, before opening to the Committee to offer comment and direction on future reporting.

10.3 The Committee requested that the in presenting the Key Risks it is important to highlight what critical changes there have been to the assessment of the risks facing the institution.

10.4 [REDACTED: likely to prejudice commercial interests].

10.5 The Committee asked for a heatmap presentation of the risk information, through which to understand if the mitigating actions are successfully moving the assessment of risk.

10.6 The Committee challenged on the number of risks being owned by COO, although it was recognised that this reflected the breadth of the COO portfolio and it was also

recognised that the senior manager with responsibility for the management of the risk was more diversified.

11 STRATEGIC RISK FOCUS – TEMPLE QUARTER ENTERPRISE CAMPUS – Guy Orpen joined the meeting

- 11.1 RECEIVED AND NOTED: paper ref: AUD/18-19/029, which had previously been considered by the Board of Trustees on the 25 January and also by Finance & Major Projects Committee and University Management Team. The discussions and decisions taken by the Board of Trustees were recapped for the Committee by GO, including reference to the “Plan B”, which involved reprioritising the campus development phases.
- 11.2 GO stated that a major review of the risk report will be undertaken in the month ahead and will report back to the Audit Committee at end of April.
- 11.3 **[REDACTED: likely to prejudice commercial interests].**
- 11.4 **[REDACTED: likely to prejudice commercial interests].**
- 11.5 **[REDACTED: likely to prejudice commercial interests].**
- 11.6 **[REDACTED: likely to prejudice commercial interests]..**
- 11.7 In response to a question on the approach communication within the University, GO highlighted that there has been active engagement of faculties and members of the senior team had additionally visited other venues. Newsletters have also been issued to provide updates and to emphasise that future income is the source for the funding for TQ rather the funding being redirected from today’s activities

Jenny Campion-Smith left the meeting

12 WHISTLEBLOWING POLICY, REVIEW AND ANNUAL REPORT

- 12.1 RECEIVED AND NOTED: paper ref: AUD/18-19/033
- 12.2 In receiving the Annual Report, AP noted three concerns which had been discussed at the pre-meeting: 1) the independence of the whistleblowing officer (WBO); 2) the scope for appeal within the process; and 3) more prompt reporting of cases to the Audit Committee.
- 12.3 AP also fed in comments, which he had received from a Committee member which were that:
- there is no appeals process;
 - there was a “corporate feel” to the policy, which may impinge on its accessibility;
 - there is no articulation of time-limits for the process e.g. for responding to a concern;
 - the whistleblowing policy doesn’t extend to cover items such as allegations of bullying and harassment; and
 - there was no obvious support for the whistleblower within the policy, such as access to a counsellor.
- 12.4 GO responded to each point in turn:
- Appeals – that there is no provision for appeal currently and that this might be appropriate to build in. It was noted that there is a need to balance the provisions of the policy with the resource available to manage this policy in-house.

- Timeliness of Reporting – It was recognised that the Audit Committee has the authority to set a different timescale for reporting to the Audit Committee and for the time in which the WBO will respond to the whistleblower.
- Tone of Policy – This challenge was accepted, and a further review will; be undertaken to improve the accessibility of the policy
- Broader Issues (e.g. bullying) – It was noted that this policy is designed to complement other processes for flagging different types of concerns. It was stated that there are HR policies around bullying and harassment and that there is an anonymous online reporting mechanism both for second and third parties.
- Support for the whistleblower – It was recognised that we don't have an articulated mechanism for support beyond WBO's conduct when dealing with complainant. It was agreed that this could sit alongside the consideration of tone and accessibility.
- Identity of WBO – GO highlighted that this had been discussed at the previous meeting and reminded the Committee that PVCs do not have line-management responsibility within the organisation but do have the seniority to progress an investigation but agreed to reflect further on this point. A committee member raised that the seniority of the WBO might be an inhibitor to whistleblowing and asked what mitigations were in place for this risk.

12.5 ME suggested one approach to understanding if there were inhibitors to whistleblowing was to reverse engineer from an actual investigation and explore why individuals chose not to whistleblow when there was adequate reason to do so.

12.6 AP concluded that whilst the Annual Report was noted and accepted, the Committee did not feel in a position to support the recommendations regarding changes to the Whistleblowing Policy nor to appoint Dr Erik Lithander as the WBO.

12.7 JSq offered to take the review of Whistleblowing Policy forward as an independent party and GO offered his further support to this work in his current capacity as WBO. The Committee agreed to this approach.

Guy Orpen left the meeting

13 INTERNAL AUDIT PLAN 2018/19 UPDATE REPORT

13.1 RECEIVED AND NOTED: paper ref: AUD/18-19/031 to which an updated plan was tabled to replace p126. To give context to the proposed plan revisions, AM stated that there are changes in resource-profile and available funding but that the current year plan still represents a significant uplift on the previous year's plan in terms of audit hours.

13.2 AM confirmed that process for internal audit is bedded in and fully staffed and proceeded to talk through the reports on Fire Safety; MyERP; and Controlled Drugs, confirming that the response from management to the audits had been satisfactory.

13.3 In response to a question, it was confirmed that a log of each fire alarm event is maintained but that the frequency of the alarms in some parts of the Campus experience frequent alarms, which can cause apathy or complacency. It was confirmed that this is recognised as a risk and action is being taken to manage students.

13.4 In relation to the audit findings in connection with MyERP, JM highlighted a desire to have a further conversation around "Super-User" access rights and the monitoring of these individuals.

13.5 It was confirmed that whilst the Audit Team would normally focus on the system of controls, substantive testing was done as part of the Controlled Drugs audit. It was

reported that when the Controlled Drugs Cabinets had been checked, the inventory matched the contents in all cases.

- 13.6 AM shared that there was a current focus on tracking and closing the open management actions relating to previous Audits with the aim of reducing the volume ahead of the implementation of a system to record and track actions.
- 13.7 AM reported that there are still occasions where Internal Audit cannot progress as quickly as it would like to, owing to the engagement with the audit process being less than necessary. This would be kept under review and escalated if necessary.
- 13.8 The Audit Committee APPROVED the changes to the Audit Plan for 2018/19.

14 EXTERNAL AUDIT: REVIEW OF THE POLICY TO SAFEGUARD THE INDEPENDENCE OF THE EXTERNAL AUDITOR

- 14.1 RECEIVED AND NOTED: paper ref: AUD/18-19/0032, which was presented by RK.
- 14.2 REVIEWED the policy following concerns raised by the Finance and Major Projects Committee about safeguarding the independence of the external auditor
- 14.3 Agreed that the policy provides adequate headroom and that there is some reliance on PwC to self-regulate the management of conflicts that may impinge on independence.
- 14.4 Following discussion, it was agreed that the policy will be amended to suggest a normal ratio of 1:1 in terms of fees for audit work versus fees for non-audit work but that this could be extended to a maximum of 1:3.

15 AUDIT COMMITTEE DRAFT BUSINESS SCHEDULE

- 15.1 RECEIVED AND NOTED: paper ref: AUD/18-19/034
- 15.2 It was requested that in order to manage the reputational risks of the institution, the outcomes of TEF, REF and NSS should be shared. The Committee felt that the heatmap shared on NSS previously was very useful.
- 15.3 ME requested that the presentation of External Audit Findings at the October meeting be made explicit on the 21/10/2019 meeting forward agenda.

16 ANY OTHER BUSINESS

- 16.1 The Committee returned to the Brexit Paper and AP asked RK whether there were any key points to draw out. **[REDACTED: likely to prejudice commercial interests]**.

17 EQUALITY, DIVERSITY AND INCLUSION

- 17.1 The Committee reflected that it had considered implications linked to equality, diversity and inclusion when conducting its business, making decisions and agreeing actions, in particular in the discussion of the item relating to the Whistleblowing Policy.

18 DATE OF NEXT MEETING

- 18.1 The date of the next meeting was confirmed as 29 April 2019, 14:00 – 17:00 in Board Room, Beacon House, Queen's Road, BS8 1QU