



MEETING OF THE AUDIT COMMITTEE

MONDAY 29 APRIL 2019

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

MINUTES

Members Present: Dr M Hamlin, Dr J Manley, Mr A Poolman (Chair), Mr A Willis

In attendance: Mr Mick Axtell (Deputy Chief Financial Officer), Mrs Helen Cole , (Senior Governance Officer), Ms Shana Johnson (Deputy Head of Governance and Clerk to the meeting), Robert Kerse (Chief Operating Officer), Professor Guy Orpen (DVC New Campus Development) for Temple Quarter report and Whistleblowing report), Mrs Lucinda Parr (Registrar and University Secretary) Mr Jason Smerdon (Group Finance Director); Professor Judith Squires (Deputy Vice-Chancellor and Provost) and Mr Keith Woolley (Chief Information Officer) for Cyber Security and Disaster recovery (IT)

Internal Auditors: Mr David Broughton and Mr Andrew Manning (RSM)

External Auditors: Mr Mark Ellis (PWC)

Apologies: Members: Dr Mary Bishop, Ms Julie Goldstein, In Attendance: Dr Erik Lithander

1 WELCOME

- 1.1 The Chair welcomed members and noted apologies.
- 1.2 The Chair drew attention to the new agenda format which reflected the Audit Committee responsibilities and content of the Annual Report to the Board and Office for Students.
 - Financial Issues
 - Risk Management
 - Controls
 - Governance

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 4 February 2019 were APPROVED as a true and accurate record of the meeting.

4 MATTERS ARISING & ACTIONS

The following actions were agreed as closed:

- UoB's review of its Contingency and Business Continuity Plans
- Review of Remuneration Processes

5 AUDIT AND RISK COMMITTEE DRAFT TERMS OF REFERENCE FOR 2019/20

- 5.1 RECEIVED AND ENDORSED: paper ref: AUD/18-19/035 (subject to minor changes listed below)
- 5.2 The Chair and Chief Operating Officer introduced the report.

5.3 During discussions the following key issues were raised:

- The Chair raised some concerns about the breadth of the Terms of Reference (ToR) and whether the Committee would have sufficient time in its Forward Plan to address all the issues required of it with enough depth to give adequate assurance to the Board
- In relation to section 1 .1 it was agreed to remove 'within its remit'.
- It was noted that the inclusion of the enhanced monthly management accounts would assist in enabling the committee to give assurance to the Board of Trustees in terms of the Annual Financial Statement/accounts.
- It was noted that the committee had to date been weak on data assurance, but new systems and data cleansing operations would assist the committee in testing that management had robust processes in place to provide assurance about the accuracy of data and in particular data required by external regulators. It was agreed that management would provide an annual report to the committee confirming the work that it had done to confirm the reliability and accuracy of data submissions, in order to assist the committee in giving its assurances to the Board.
- Under 6.2.2 this should refer to all risks not just key risks
- Under 6.33 of the ToR this should state review and **recommend** to the Board of Trustees the Value for Money Strategy.
- Under paragraph 6.4.3. of the ToR this should also include reference to 'serious incidents' in line with charity law requirements.
- Under 6.4.1 there should be reference to improvements to the Audit Charter.
- In conclusion, whilst the scope and Forward Plan for the Audit Committee Terms of Reference and Forward Plan was challenging it was considered on balance achievable.

6 CHIEF OPERATING OFFICER REPORT

6.1 RECEIVED AND NOTED: paper ref: AUD/18-19/036

6.2 The Chief Operating Officer introduced the report which highlighted the key performance matters, risks and issues across the COO's portfolio (Finance, People, Property & IT). In particular the COO highlighted key issues in the report relating to:

- Financial Sustainability – including stress testing financial forecasts
- Major Projects -[REDACTED: likely to prejudice commercial interests]..
- USS Pensions Update
- Brexit
- National pay settlement update
- IT developments - new data centre and network testing

6.3 The Committee noted the following key issues during discussions:

- Financial sustainability and budget forecast scenarios were scrutinized by the Finance and Major Projects Committee and the University Management Team. **[REDACTED: likely to prejudice commercial interests]**.
- **[REDACTED: likely to prejudice commercial interests]**..
- **[REDACTED: likely to prejudice commercial interests]**..
- **[REDACTED: likely to prejudice commercial interests]**..
- **[REDACTED: likely to prejudice commercial interests]**.

7 MARCH 2019 MANAGEMENT ACCOUNTS

7.1 RECEIVED AND NOTED: paper ref: AUD/18-19/037

7.2 The Group Finance Director introduced the report.

7.3 During discussions the following issues were highlighted:

- The current pack included information which allowed the committee to track the year end turn-out result by month.
- The current year end forecast outturn on budget was an improvement on the November forecast outturn –**[REDACTED: likely to prejudice commercial interests]**..
- **[REDACTED: likely to prejudice commercial interests]**..
- USS pension provision –**[REDACTED: likely to prejudice commercial interests]**.
- Additional information had been put into the management accounts in respect of research and the current research order book had improved.
- **[REDACTED: likely to prejudice commercial interests]**.
- A clarification was sought in relation to international agent costs and it was confirmed that the projected overspend was due to this activity historically not being properly budgeted for. Going forward the budget would reflect the appropriate resource required to match the scale of international recruitment.

8 2019 STATEMENT OF RECOMMENDED PRACTICE (UUK GUIDANCE FOR FINANCIAL REPORTING)

8.1 RECEIVED AND NOTED: paper ref: AUD/18-19/038

8.2 The Group Finance Director introduced the report.

8.3 Universities UK (UUK) issued an updated Statement of Recommended Practice: accounting for further and higher education (SORP 2019) in October 2018. The SORP 2019 reflected changes to UK GAAP following the triennial review of FRS 102. It was effective for financial years beginning on or after 1 January 2019 and therefore would apply for the year ending 31 July 2020.

8.4 The Committee noted that the majority of the amendments were editorial in nature and were intended to clarify rather than change the accounting treatment. It was not expected that many institutions would experience substantive changes to accounting treatments currently adopted.

9 VALUE FOR MONEY: TEMPLE QUARTER ENTERPRISE CAMPUS

9.1 RECEIVED AND NOTED: paper ref: AUD/18-19/039

9.2 The Chief Operating Officer and the DVC New Campus Development introduced the report.

9.3 The Committee sought reassurances in relation to value for money and during discussions the following issues were highlighted:

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

10 NEW RISK MANAGEMENT FRAMEWORK

10.1 RECEIVED AND ENDORSED: paper ref: AUD/18-19/040

10.2 The Registrar and Secretary introduced the report.

10.3 The Committee questioned whether some of the reporting metrics (e.g. staff-turnover) were too simple and suggested that these needed to be carefully evaluated to ensure that what was being measured provided the information it was intended to.

- 10.4 The Committee ENDORSED the University's new Risk Management Framework, including the Risk Management Policy which would be formally approved by the Board of Trustees in May.
- 10.5 NOTED the areas of the Risk Management Framework that have been identified for review in the short term, particularly the review and recalibration of the impact scoring matrix.

11 KEY UNIVERSITY RISKS

- 11.1 RECEIVED AND NOTED: paper ref: AUD/18-19/041
- 11.2 The Registrar and Secretary introduced the report.
- 11.3 It was noted that this was the first time the Committee had seen the Register in this format (previously Corporate Risk Register) and it included recalibrated financial risk and a heat map. Going forward there would also be a narrative.
- 11.4 The Committee noted the work undertaken on the new Register and were very satisfied with the new format. The Head of Internal Audit also confirmed that in their opinion the Register was appropriate for the Institution.
- 11.5 The Committee NOTED:
- The University's preliminary risk profile as articulated through the its Key Risk Register and heat map;
 - The intention to recalibrate the impact scoring matrix so that risk scores better reflect the University's actual risk profile; and
 - The impact that a recalibration of the financial impact scale would have on the profile of risks owned by the Chief Operating Officer.

12. STRATEGIC RISK FOCUS

RECEIVED AND NOTED: paper ref: AUD/18-19/0042/43/44

Temple Quarter Enterprise Campus

- 12.1 The DVC New Campus Development introduced the report.
- 12.2 **[REDACTED: likely to prejudice commercial interests].**
- 12.3 **[REDACTED: likely to prejudice commercial interests].**
- 12.4 During discussions the following issues were highlighted:
- Members noted that the risk analysis provided was very helpful in understanding the current issues and rationale for proposals going forward.
 - **[REDACTED: likely to prejudice commercial interests].**
 - Whilst some risks were outside of the University's control, others such as increased internationalisation, were not. Some concerns were expressed about the amount of time it was taking to move some risks from 'amber' to 'green' especially when they were within the University's control. It was noted that this was in part due to the timescales on the project and whilst not yet 'green' the University was on the right trajectory.
 - It was confirmed that in terms of issues such as public consultations and upcoming planning permission, developments were positive, and things were progressing well. It would be important though at each phase in the project to take stock of progress. **[REDACTED: likely to prejudice commercial interests].**

Cyber Security

- 12.5 The Chief Information Officer introduced the report.
- 12.6 During discussions the following key issues were highlighted:
- **[REDACTED: likely to prejudice commercial interests].**

Disaster Recovery (IT)

- 12.7 The Chief Information Officer introduced the report.
- 12.8 The following key issues were identified:
- **[REDACTED: likely to prejudice commercial interests].**
 - It was AGREED that the Committee receive a progress report on both Cyber Security and Disaster Recovery at its meeting in January 2020. This should therefore be added to the Forward Plan.

Action: Secretary

13. INTERNAL AUDIT PLAN 2018/19

- 13.1 RECEIVED AND NOTED: paper ref: AUD/18-19/045
- 13.2 The Internal Auditor introduced the report.
- 13.3 The Committee noted key recommendations in the Internal Audit report relating to the following reports - Key Financial Controls - Purchase to Pay, Prevent Duty, Office for Students Annual Accountability Returns.
- It was noted that the Prevent report and recommendations would be helpful in putting together policies around Freedom of Speech and External Speakers
 - The Annual Accountability Returns report also highlighted recommendations in relation to the University Scheme of Delegation and Financial Delegations which were already being progressed.
 - Members noted that it was important that the committee identified what they thought the right level of internal audit need was for the University and expressed some concerns that what might be perceived as some of the more challenging audits had been deferred. It was confirmed that audits which had been deferred for this year had been judged to be of the lowest impact.

14. EXTERNAL AUDIT PLAN 2019/20

- 14.1 RECEIVED AND APPROVED: paper ref: AUD/18-19/046
- 14.2 The External Auditor introduced the report.
- 14.3 The Audit of the Financial Statements would be risk-based focussing on those areas which, in the judgement of the Auditor would be most likely to lead to a material misstatement.
- 14.4 It was noted that to fit with the audit and Committee and Board Forward Plan the Chair and others on committee would need to meet with the Auditor before the 14 October 2019.
- 14.5 The Committee APPROVED the External Audit Plan 2019 including the proposed scope, audit risks and approach highlighted in the report.

14.6 The Committee NOTED in particular the responsibilities of the Auditors, Management and the Committee in relation to Fraud and specific issues for the Committee to consider.

14.7 The Committee APPROVED the proposed audit fee set out in the report.

15. OFS REPORTABLE AND MATERIAL ADVERSE EVENTS

15.1 RECEIVED AND NOTED: paper ref: AUD/18-19/047

15.2 The Chief Operating Officer introduced the report.

15.3 The Committee CONFIRMED that the proposals provided adequate assurance in relation to the requirements set out in the Office for Students terms and conditions of funding for higher education institutions and the Office for Students regulatory framework for higher education in England.

15.4 NOTED that following consideration by the Audit Committee guidance on notifying 'reportable or material adverse events' will be published on the University's website.

Action: Secretary

16. OFS CONDITIONS OF REGISTRATION AND DATA RETURN COMPLIANCE MATRIX

16.1 RECEIVED AND NOTED: paper ref: AUD/18-19/047

16.2 The Registrar and Secretary introduced the report.

16.3 The Committee CONFIRMED that the proposals provided adequate assurance in relation to the requirements set out in the Office for Students Terms and conditions of funding for higher education institutions and the Office for Students regulatory framework for higher education in England.

16.4 NOTED that the Governance Office would use the compliance matrix to ensure that required returns are made by the responsible officers and this will be reported to the Audit Committee in October 2019 to inform the Audit Committee Annual Report to the Board of Trustees.

17. REPORT OF THE WHISTLEBLOWING OFFICER

17.1 RECEIVED AND NOTED: paper ref: AUD/18-19/048

17.2 The DVC New Campus Development introduced the report. It was noted that there were no live cases at the moment. Members queried the apparently low number of cases and it was clarified that some cases that came forward would be dealt with under different routes and policies. The importance of support for individuals was highlighted and the need for clarity as to when an issue should be dealt with under the Whistleblowing Policy as opposed to other avenues.

17.3 It was noted that the Whistleblowing Policy would be brought back to the meeting in July 2019 and should be added to the forward plan.

Action: Secretary

18. ANY OTHER BUSINESS AND FORWARD PLAN

18.1 The Chair drew attention to key items of business for the July meeting.
[REDACTED: likely to prejudice commercial interests].

Action: Secretary

19. DATE OF NEXT MEETING

The date of the next meeting was confirmed as 19 July 2019, 14:00 – 17:00 in Board Room, Beacon House, Queen's Road, BS8 1QU