



MEETING OF THE AUDIT AND RISK COMMITTEE

WEDNESDAY 21 OCTOBER 2020

Zoom meeting 14.00 – 17:00

MINUTES

Members Present: Dr Madhu Bhabuta, Professor Mary Bishop, Ms Julie Goldstein, Dr Moira Hamlin, Mr Andy Poolman (Chair)

In attendance: Mr Mick Axtel (Chief Financial Services Officer), Professor Hugh Brady (Vice-Chancellor), Mrs Helen Cole (Senior Governance Officer), Robert Kerse (Chief Operating Officer), Professor Guy Orpen (Deputy Vice-Chancellor (New Campus Development)) at 14:40 for item 7 (Strategic Risk Focus: Temple Quarter Enterprise Campus), Mrs Lucinda Parr (Registrar and University Secretary), Mr Jason Smerdon (Group Finance Director) and Professor Judith Squires (Deputy Vice-Chancellor and Provost) at 16:35 for item 16 (Annual Report and Financial Statements 2019/20).

Internal Auditors: Mr David Broughton

External Auditors: Mr Colin Bates (PwC Audit Partner) and Mr Ian Davies (PwC Audit Partner)

Apologies: Mr Andy Willis

WELCOME

The Chair welcomed members and attendees.

1 MINUTES OF THE PREVIOUS MEETING

- 1.1 The minutes of the meeting on 6 July 2020 were APPROVED as a true and accurate record of the meeting.

2 MATTERS ARISING & ACTIONS

- 2.1 The Registrar provided a verbal update in relation to progress relating to the Whistleblowing Policy. NOTED that the new draft of the policy was currently in consultation with the Joint Trade Unions. NOTED that James Thompson from UCU had agreed to be the third person with whom whistleblowing concerns can be raised and this will be set out in the new policy when consultation is complete. NOTED that the Unions had asked (and the University had agreed) that consultation would resume once the first few weeks of TB1 2020 were complete. NOTED that the Trades Unions recognised the importance of the policy and welcomed the changes in principle as they wish to make the policy more accessible. Unfortunately, due to Covid, this had been less of a priority for them, because their current main concern was ensuring the safety and wellbeing of their members.
- 2.2 AGREED that in the light of the above, item 16.7 that referred to an additional contact in the Whistleblowing Policy should remain as outstanding on the Action Register.
Action: Secretary
- 2.3 With reference to item 16.4, it was NOTED that the University's external advisers VWV had confirmed that although the EU Directive would come into force in 2021, the government had stated that it does not intend to adopt it due to Brexit, so the provisions would not be relevant to university staff in the UK, to whom the Public

Interest Disclosure Act 1998 will continue to apply. NOTED that the University would confirm the position in relation to staff in territories other than the UK (and make any necessary amendments to the policy) before the Directive comes into force. AGREED that item 16.4 could be closed.

- 2.4 With reference to item 2.2 (outcome of the annual effectiveness survey) it was noted that actions were ongoing. With regard to the size of the paper pack for each meeting, it was noted that the pack for the October 2020 meeting was over 400 pages. AGREED that the paper pack for the next meeting in January 2021 should not exceed 100 pages. The Secretary to work with the Officers to ensure that papers were succinct and covered areas that were pertinent to the Committee's requirements. AGREED that executive summaries could be employed where appropriate.

Action: Secretary, COO, and Registrar

- 2.5 With reference to item 5.10 (Information Technology section of the COO Report), AGREED that this action remain as outstanding. AGREED that Madhu Bhabuta engage with the COO ahead of the next meeting to provide further details and clarification. [Subsequently, on 22 October, Madhu Bhabuta emailed the COO as per the above.]

Action: Madhu Bhabuta and COO

- 2.6 AGREED the closure of those actions listed as "Proposed Close" on the Audit and Risk Committee Action Register that are not discussed in items 2.1-2.5 above.

3 CHAIR'S BUSINESS

- 3.1 The Committee noted that this meeting would be Moira Hamlin's last one, as she was stepping down from the Board of Trustees and therefore Audit and Risk Committee on 31 December 2020. The Chair thanked Moira both personally and on behalf of the Committee for her contributions. Moira joined the Board of Trustees in January 2011 and the Audit Committee in January 2019.

- 3.2 NOTED that the Chair of the Audit & Risk Committee, the Chair of the Board of Trustees and the Nominations Committee had discussed a replacement for Moira Hamlin on the Committee. NOTED that Stephen Robertson, an incoming Lay member of the Board of Trustees had been invited to join the Audit and Risk Committee.

- 3.3 NOTED that Stephen Robertson's role as a visiting professor at UWE had been considered by the Nominations Committee during the selection process.

- 3.4 AGREED that ideally Stephen Robertson would join the Committee from 1 January 2021 and that this request should be communicated to the Chair of the Board of Trustees.

Action: Secretary

- 3.5 AGREED that going forward the co-opted members of the Audit & Risk Committee should receive the minutes of Board of Trustees meetings.

Action: Secretary

4 DECLARATIONS OF INTEREST

- 4.1 No new interests were declared.

5 AUDIT & RISK COMMITTEE TERMS OF REFERENCE

- 5.1 RECEIVED AND NOTED: paper ref: AUD/20-21/001

- 5.2 APPROVED the following addition under Risk Management: *6.2.3 Review information provided by University subsidiary companies at least once a year, which include the*

provision of information relation to internal controls, risk management and governance assurance. This is signed off by the Subsidiary Board and contains statements from each of the most senior operational and senior financial officers.

5.3 APPROVED the following addition under Governance: *6.5.2 Receive appraisals every three years from each University subsidiary company board which will include an appraisal of the company's performance. This will include a review of compliance with the Articles of Association (or equivalent) and with this Governance Framework. A summary of key findings, lessons learned and actions to be taken as result.*

5.4 AGREED that the membership status of the Chair of Board of Trustees and the Vice-Chancellor be amended to match the guidance detailed in the CUC HE Audit Committees Code of Practice. NOTED that the modernisation of the University's constitution would be considered again by the Board of Trustees in February 2021.

Action: Secretary and Registrar

5.4 AGREED that *Section 7: Accountability and Reporting* should be amended to clarify that the Committee was able to report on any area it deemed appropriate and that the areas currently detailed in section 7 were only what was typically covered by the Committee.

Action: Secretary and Registrar

5.5 APPROVED the Audit & Risk Committee Terms of Reference 2020/21 subject to the amendments detailed in 5.4 & 5.5 above and DELEGATED AUTHORITY to the Audit & Risk Committee Chair to agree the final version.

Action: Secretary and Chair of the Committee

6 COO UPDATE REPORT

6.1 RECEIVED AND NOTED: paper ref: AUD/20-21/002

6.2 DISCUSSED the financial outlook for 2020/21 and beyond (see section 1.0)

6.3 NOTED the employee relations and financial risks associated with the 2020 USS pension scheme valuation (see section 2.0)

6.4 In response to questions, Officers advised that that circa 27% of students lived in University owned accommodation. It was noted that the recommendation for mass self-isolation in two University owned halls from Public Health England was coming to an end. Instead, outbreaks were monitored on a case by case basis with restrictions applied to individual living circles as appropriate. It was noted that senior University staff were meeting with Public Health England daily.

6.5 The Committee discussed the several elements within the Information Technology section of the Report, in particular the security concerns relating to the use of Zoom, the impact of ransomware attacks and the progress of the Digital Strategy. Officers advised that the use of Zoom is not recommended for confidential business. However, there are key customers such as the Board of Trustees who wish to use it. The University had purchased an annual enterprise licence and will carefully consider its renewal. Microsoft Teams was the recommended application for up to 300 attendees. Officers noted that the risk register had been amended regarding the increased environmental risk and increased network vulnerability risk of ransomware attacks. Officers advised that the Covid-19 pandemic had temporarily diverted some IT resources away from the Digital Strategy but that the programme was only 6-8 weeks behind schedule.

7 STRATEGIC RISK FOCUS: TEMPLE QUARTER ENTERPRISE CAMPUS

7.1 RECEIVED AND NOTED: paper ref: AUD/20-21/003

7.2 CONSIDERED the Programme Risk Up-date and noted that the Finance and Infrastructure Committee and then the Board of Trustees would hold additional meetings over the next few months to consider future proposals as more information regarding costs and University prospects for 2020-21 became available.

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

7.4 The Committee queried why the risk relating to academic proposition had not been resolved when the limiting factors appeared to all be within the University's control. Officers responded that progress had been made in some areas, additionally the impact of the Covid-19 pandemic had meant that the University was now reviewing how its estate was used in a broader sense.

7.5 **[REDACTED: likely to prejudice commercial interests]**

Action: COO

7.6 **[REDACTED: likely to prejudice commercial interests]** AGREED to report this decision to the Finance and Infrastructure Committee.

Action: Secretary

8 KEY UNIVERSITY RISKS

8.1 RECEIVED AND NOTED: paper ref: AUD/20-21/004

8.2 CONSIDERED the University's risk profile as articulated through its Key University Risk Register and heat map (Appendix 2).

8.3 NOTED the changes made to the risk profile since the June 2020 meeting of the Committee.

8.4 NOTED that the Heatmap in the live Risk Register had undergone a small, necessary aesthetic change to automate a large amount of administrative work involved.

8.5 NOTED that the paper reflects the situation at the time of writing, and that the risk environment was changing very rapidly.

8.6 CONFIRMED and PROVIDED ASSURANCE to the Board of Trustees that the University's arrangements for the management of the risks were adequate and effective.

8.7 **[REDACTED: likely to prejudice commercial interests]**

8.8 **[REDACTED: likely to prejudice commercial interests]**

9 STRATEGIC RISK FOCUS: BREXIT RISK AND IMPACT ASSESSMENT

9.1 RECEIVED and NOTED: paper ref: AUD/20-21/005

9.2 CONSIDERED and AGREED with the assessment of the University's Brexit risk and the adequacy of the mitigation measures.

10 INTERNAL AUDIT PROGRESS REPORT

10.1 RECEIVED AND ENDORSED: paper ref: AUD/20-21/006

10.2 NOTED the recommendations detailed in the paper and the reports from completed audits. NOTED that the progress report summarised all outstanding work delivered as part of the 2019/20 Internal Audit plan and included a summary of the risk assurance activity arising from the revised risk profile resulting from the Covid-19 crisis in particular the following points:

- seven internal audit reports had been finalised since July's Committee meeting and the draft report for the student wellbeing and mental health audit had also been completed (detailed action plan currently being finalised with management).
- The 4Action system for tracking the completion of internal audit actions had been embedded and management are engaging with the system.
- All work for 2019/20 was complete, including the advisory programme of fraud and business continuity audits that were agreed to focus on the risks associated with new ways of working as a result of Covid-19. All seven reports arising from this advisory work were included in the paper.
- Planning and delivery of the 2020/21 internal audit plan was underway

10.3 **[REDACTED: likely to prejudice commercial interests]** Officers responded the University was in the process of setting up a learning management system. Officers advised that rates of completed training were shared with managers by HR, so managers were able to assess rates of completion in their individual areas and respond appropriately.

10.4 The Committee discussed the draft report for the student wellbeing and mental health audit noting that work on the action plan had been deferred beyond September 2020. Officers responded that an audit opinion of reasonable assurance had been provided and that the action plan would be presented to the Committee at its next meeting. It was agreed during the pandemic, both University students and staff had benefited from the work undertaken in this area in previous years.

10.5 With reference to section 1.3 in the report. AGREED that Moira Hamlin engage with the Internal Auditor outside of the meeting to further discuss the suitability of using the NSS Learning Community question set 2019 and 2020 as an indication of a measure for "ease of finding support".

Action: Moira Hamlin and Internal Auditor

11 INTERNAL AUDIT ANNUAL REPORT 2019/20

11.1 RECEIVED AND APPROVED: paper ref: AUD/20-21/007

11.2 APPROVED the recommendations detailed in the report noting that the Risk Assurance Annual Report summarised all of the internal audit work completed as part of the 2019/20 Internal Audit plan and included the Head of Internal Audit's opinion on risk, control and governance. In particular the following was noted:

- The annual internal audit opinion is Partial for risk, control and governance and Reasonable for economy, efficiency and effectiveness
- Management have agreed actions to address all findings raised by the University Risk Assurance team during 2019/20. The 4Action system for tracking the completion of internal audit actions has now been embedded and management are engaging with the system.
- Risk assurance have highlighted a number of interlinked organisational challenges at the University and these are detailed in the report.
- All work from the 2019/20 (subject to agreed changes) was completed and reported in line with agreed timescales.

11.3 The Committee commended the work of the internal auditors and the management regarding the progress and monitoring of actions noting that the finalising of historical actions was ongoing.

12 ANNUAL FRAUD RISK REPORT 2019/20 (INCLUDING REVISED COUNTER FRAUD POLICY)

12.1 RECEIVED AND APPROVED: paper ref: AUD/20-21/008

- 12.2 NOTED the actions taken to contain the risk of fraud.
- 12.3 As per 10.5 on the Action Register, the following questions were considered by the Committee:
1. Do you have knowledge of fraud, be it actual, suspected or alleged, including instances involving management?
 2. What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the University?
 3. What role do you have in relation to fraud?
 4. What protocols / procedures between those charged with governance and management keep you informed of instances of actual, suspected or alleged fraud?
- 12.4 The Committee queried how often staff fraud risk was examined once a member of staff had passed the initial background checks used when they joined the University. AGREED that this area would develop as the University sought to implement best practise from the commercial sector where appropriate.

12.5 APPROVED the Revised Counter Fraud Policy

13 VALUE FOR MONEY REPORT (PART OF AUDIT & RISK COMMITTEE ANNUAL REPORT)

- 13.1 RECEIVED AND APPROVED: paper ref: AUD/20-21/009
- 13.2 NOTED that the Committee had also received a presentation on this topic at its July 2020 meeting.
- 13.3 The Committee discussed how the report could be improved for next year and recommended that the paper authors examine the value creation model of integrated reporting noting that the ACCA provided a good example of this.
- 13.4 NOTED that the Report referred to the 2019/20 academic year and that the Covid-19 pandemic had required the University to rapidly pivot from in person teaching to virtual teaching in March/ April 2020 and had successfully enabled students to complete studies for the academic year 2019/20 and graduate in spite of externally imposed restrictions.
- 13.5 AGREED that the report should be amended to include more in the 2020/21 forward looking actions regarding what the University was doing to ensure that students receive good value for money during the ongoing pandemic.
- Action: GFD**
- 13.6 ENDORSED for approval by the Board of Trustees, subject to the addition detailed in 13.3 above, the Statement for publication in the University Annual Report.

14 AUDIT & RISK COMMITTEE ANNUAL REPORT 2019/20

- 14.1 RECEIVED AND APPROVED: paper ref: AUD/20-21/010
- 14.2 The Chair of the Committee asked the members in turn if they were content with the conclusions in the report, each member confirmed that they were
- 14.3 CONSIDERED and DISCUSSED the Annual Report of the Audit and Risk Committee for 2019/20 and DELEGATED AUTHORITY to the Audit & Risk Committee Chair to agree the final version to be presented to the Board of Trustees and the Accountable Officer in response to the Committee's feedback.
- 14.4 NOTED that the Board of Trustees and the Accountable Officer (the Vice-Chancellor) will be asked to: CONSIDER the Annual Report of the Audit and Risk Committee for

2019/20 and take special note of any matters highlighted that may impact on the Board's approval of the financial statements for the year ended 31 July 2020.

15 External Audit Findings

- 15.1 RECEIVED AND APPROVED: paper ref: AUD/20-21/011
- 15.2 DISCUSSED and CONSIDERED the issues raised in the management letter (Appendix 2) before approving the financial statements (as per agenda item 16 below).
- 15.3 DISCUSSED and CONSIDERED the management representation letter (Appendix 2) and CONFIRMED that it was comfortable with the representations proposed, including those in respect of any uncorrected misstatements. NOTED that the effects of uncorrected misstatements were immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 15.4 NOTED that the University was required to submit this report to the Office for Students in accordance with the terms of conditions of funding.
- 15.5 AGREED that the letter the salutation should be amended to be: *Dear Members of the Audit and Risk Committee*.

Action External Auditor

16 ANNUAL REPORT AND FINANCIAL STATEMENTS 2019/20

- 16.1 RECEIVED AND APPROVED: paper ref: AUD/20-21/012
- 16.2 On the advice of the COO, it was AGREED that the external auditor's letter of representative required amendment with reference to **[REDACTED: likely to prejudice commercial interests]**

Action External Auditor and GFD

- 16.3 The Chair asked the Officers including the Vice-Chancellor, whether there were any reasons why the accounts couldn't be endorsed. The Officers including the Vice-Chancellor confirmed that they were not aware of any such reasons, with the exception of 16.2 detailed above.
- 16.4 The Chair asked the members whether there were any reasons why the accounts couldn't be endorsed. The members confirmed that they were not aware of any such reasons.
- 16.5 The Chair asked the External Auditor (Mr Colin Bates) if he was content that the Annual Report and Financial Statements 2018/19 as presented was consistent with the results of the external audit. The External Auditor confirmed that this was the case.
- 16.6 CONSIDERED the management representation letter (included within agenda item 15 (AUD/20-21/11) and CONFIRMED it was comfortable with the representations proposed; and
- 16.7 AGREED to RECOMMENDED to the Board that the Annual Report and Financial Statements is an appropriate and reasonable representation of the financial position of the University for the year ended 31 July 2020 [subject to minor alteration to the narrative of the Strategic Report in terms of the level of assurance that the Committee could give. These changes to be agreed between the Chair of the Audit and Risk Committee and the Chief Operating Officer].

Action: Chair of the Audit and Risk Committee and the Chief Operating Officer

16.8 NOTED that the narrative in the Strategic Report is consistent with the University's financial position and strategy.

17 FINANCIAL PERFORMANCE PACK

17.1 RECEIVED AND NOTED: paper ref: AUD/20-21/013

17.2 NOTED the financial performance to July 2020.

18 OFS: REPORTABLE EVENTS

18.1 RECEIVED AND NOTED: paper ref: AUD/20-21/014

18.2 NOTED that the two following reportable events have been submitted to the Office for Students:

- 2 July 2020 Programme suspensions in 2020/21 due to COVID-19, with further additional information provided to the OfS on 4 September- see Annex A
- 7 September 2020 Further programme suspensions in 2020-21 due to COVID-19 see Annex B

18.3 [REDACTED: likely to prejudice commercial interests]

18.4 [REDACTED: likely to prejudice commercial interests]

Action: Secretary

19 UOB COMPLIANCE WITH UUK ACCOMMODATION CODE OF PRACTICE (ACTION FROM JULY 2020 MEETING)

19.1 RECEIVED AND NOTED: paper ref: AUD/20-21/015

19.2 NOTED the Report and received confirmation from the COO that the University was compliant with the material aspects of the UUK Accommodation Code of Practice

20 UOB COMPLIANCE WITH CUC HE AUDIT COMMITTEES CODE OF PRACTICE

20.1 RECEIVED AND NOTED: paper ref: AUD/20-21/016

20.2 NOTED that the University was compliant with CUC HE Audit Committees Code of Practice but could make improvements in some areas as detailed in the paper.

20.3 AGREED that a meeting should be arranged between external auditor and the lay members before the next meeting and subsequent meetings going forward.

Action: Secretary

21 ANY OTHER BUSINESS INCLUDING FORWARD PLAN

21.1 RECEIVED AND NOTED: paper ref: AUD/20-21/017

21.2 NOTED the Forward Plan.

21.3 On behalf of the Officers and the University, the Vice-Chancellor thanked the members of the Committee for their support and contributions to the University during the ongoing pandemic.

22 DATE OF NEXT MEETING

22.1 The date of the next meeting was confirmed as Monday 18 January 2021.