



MEETING OF THE AUDIT COMMITTEE

MONDAY 22 OCTOBER 2018

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

MINUTES

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

In attendance: Mr M Axtell (Deputy CFO), Prof H Brady (VC), Mr R Kerse (COO), Prof. G Orpen (DVC & Provost), Mr J Smerdon (Group Finance Director), Mr J Sutherland (Head of Governance & minutes); Andrew Manning and Alastair Campbell (RSM - Internal Auditors); Heather Ancient (PwC – Outgoing External Audit Partner)

Apologies: Ms L Robinson (Registrar); Mark Ellis (PwC – Incoming External Audit Partner)

1 WELCOME

- 1.1 The Chair welcomed members and noted apologies from Lynn Robinson, who has been appointed as Registrar on an interim basis.
- 1.2 The Chair welcomed Steph Mustoe and Edward Reeves as guests for the items relating to the Annual Report and Financial Statements and the Value for Money Report.
- 1.3 The Chair notified the Committee that the agenda would be taken in a different order and that the Annual Report and Financial Statements would be received first.
- 1.4 Chair highlighted that this would be Heather Ancient's last meeting as UoB's Audit Partner but confirmed the Board's decision to reappoint PwC as the External Auditor. Mark Ellis will be the new Audit Partner.

2 DECLARATIONS OF INTEREST

- 2.1 No new interests were declared.

3 ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2018

- 3.1 RECEIVED AND NOTED: paper ref: AUD/18-19/017
- 3.2 JSm led the Committee through the covering paper and explained the structure of the item and highlighted that some content has moved forward since the issuance of the Committee papers. JSm noted that this had been a challenging year for the year end accounts process due to the change-over to ERP mid-year but the team should be congratulated for getting a robust set of accounts out in such a tight timetable.
- 3.3 **[REDACTED: likely to prejudice commercial interests].**

- 3.4 A Committee Member asked for an overview of the material judgements that have been made by management in considering the content of the Annual Report and Financial Statements. In response, it was decided to receive the report from PwC (Appendix Two of the Agenda Item – pp161-195) in advance of considering the UoB document, as this highlighted the areas of judgement including the external auditors' opinion of them.
- 3.5 In introducing PwC's report to the Committee, HA recognised the comments made by JSm regarding the challenges but also highlighted the good work done. HA confirmed that the opinion being offered would be "unqualified" although drew attention to the control recommendations being made by PwC, highlighting that this was due to the new systems that have been implemented. HA went on to take the Committee through the report and drew specific attention to the following sections:
- **[REDACTED: likely to prejudice commercial interests].**
- 3.6 HA re-confirmed that PwC independence has been maintained for the purposes of acting as the UoB's external auditor.
- 3.7 HA moved the Committee to the section on "Internal controls" (pp183-185) and took each in turn. The Committee asked for reassurance on the effectiveness of the controls around bank reconciliations given the fundamental nature of these controls. JSm responded that the reason for the lateness in completing the reconciliation work was due to the need to stabilise the operation following the ERP deployment, but that bank reconciliations were well understood by the team to be a fundamental and important internal control. Control improvements were being put in place, which included ensuring that the reconciliations are overseen and reported on a monthly basis. JSm also informed the Committee that the potential for moving responsibility for the bank reconciliation to Treasury was being evaluated. In response to a question, it was clarified that the small amount of outstanding reconciliation items related to a specific list of items, which are mostly low value items.
- 3.8 The Committee referred to the finding on "Access Management" and asked whether the new ERP roles had been tested to ensure that they had access to the right information. In response, RSM commented that IT Profiles and Access was part of an internal audit piece of work, which was underway and would come to the next meeting.
- 3.9 It was recognised that HB required to leave the meeting and the Chair asked HB whether there were any reasons why the accounts couldn't be endorsed. HB confirmed that he was not aware of any such reasons.

Prof. Hugh Brady left the meeting

- 3.10 The findings on p184 were highlighted to the Committee and management reaffirmed the responses provided in the auditor's report
- 3.11 HA drew attention to the Letter of Representation noting that it will include reference to the items relating to pension assumptions, Fry Building and non-cash components of VC remuneration report.
- 3.12 The floor was opened to questions on the Financial Statements and the Annual Report. **[REDACTED: likely to prejudice commercial interests].**
- 3.13 The Committee drew attention to:
- p132: **[REDACTED: likely to prejudice commercial interests].**

- P152: Management was asked to reconfirm the reduction in life expectancy displayed in the table for Females aged 65 and females aged 45
- 3.14 JSm drew attention to two further points in the draft annual report and financial statements **[REDACTED: likely to prejudice commercial interests]**.
- 3.15 The Committee asked whether ERP had made the year end processes easier. The response was 'no' but it was felt that the following year would be much easier due to increased knowledge of the new system and the fact that the numbers for both current and comparative years would be sourced from the same system, which wasn't the case this year.
- 3.16 The Chair drew the discussion to a close and noted that the Finance Committee had also undertaken a review of the financial elements. The Senior Managers present were asked directly whether they were aware of any reason why the Annual Report and Financial Statements could not be approved by the Committee. RK, GO, MA, JSm all confirmed that they were not aware of any reason why the Committee should not endorse the Annual Report and Financial Statements.
- 3.17 The Committee resolved to reassure the Board that it knew of no reasons why the Annual Report and Financial Statements should not be approved.

4 VALUE FOR MONEY STATEMENT

- 4.1 RECEIVED AND NOTED: paper ref: AUD/18-19/001
- 4.2 JSm led the item and guided the Committee through the report, highlighting that the report covered Value for Money from the perspective of the tax payer and students.
- 4.3 JSm notified the Committee of an error in the report on p49, which was that the two bar charts were correct, but the labels had been incorrectly attributed and would be swapped in the final version.
- 4.4 As the principal author, Edward Reeves was invited to comment and he noted that the report draws a balance between the easy to measure metrics in addition to reflecting the work undertaken by UoB as an academic institution.
- 4.5 The Chair asked the Committee for comments and questions, which led to the following points being made: **[REDACTED: likely to prejudice commercial interests]**.
- 4.5 It was noted a cut-down version of the VfM report would be made publicly available and that we will be sector leading in publishing a VFM report.
- 4.6 It was resolved that the Value for Money Report is Approved by the Committee.

Ms Steph Mustoe and Mr Edwards Reeves left the meeting

5 ANNUAL FRAUD REPORT

- 5.1 RECEIVED AND NOTED: paper ref: AUD/18-19/014
- 5.2 RK led the Committee through the annual fraud report and noted the investigation by RSM in addition to the testing undertaken by PwC previously referred.
- 5.3 Chair noted paragraph 3.5 of the report and asked GO to comment on whistleblowing Policy. GO referred to the progress being made to further revise the Whistleblowing Policy. It was highlighted the Whistleblowing Officer proposal for a PVC to become the new Whistleblowing Officer. It was agreed that this would be sensible given that

the PVC would typically sit outside of the management line. It was requested that the policy also contain the requirement to report cases to the chair of Audit Committee. GO will ensure this is taken forward into the review.

- 5.4 IR commented on the situation reported in relation to Patisserie Valerie and asked how we were protected from these types of event and it was noted that due to the institution being constituted under Royal Charter, a board minute is usually required by banks in order to create an account or borrowing facility; although it was further noted that this would not protect against an individual operating University business through an account in a name other than the University.

6 PROGRESSING THE DEVELOPMENT OF THE RISK MANAGEMENT FRAMEWORK

- 6.1 RECEIVED AND NOTED: paper ref: AUD/18-19/013.
- 6.2 AP introduced the report and noted that the work had commenced on Risk Appetite, referencing a session held with the trustees after the last Board meeting.
- 6.3 RK noted that the framework is developing in light of Trustee feedback, including incorporating appetite into the scoring rather than having the appetite set by the score.
- 6.4 **[REDACTED: likely to prejudice commercial interests].**
- 6.5 **[REDACTED: likely to prejudice commercial interests].**
- 6.6 The Committee concluded that it is comfortable with the adequacy of the risk management framework but also noted that there are always ways to improve.

7 AUDIT COMMITTEE ANNUAL REPORT 2017-18 TO BOARD OF TRUSTEES

- 7.1 RECEIVED AND NOTED: paper ref: AUD/18-19/016
- 7.2 RK led the Committee through the report and a number of proposed changes were suggested.
- 7.3 In reviewing the proposed report, it was noted that there should be greater focus on both Governance and the quality of data submissions within the internal audit plan to obtain a greater depth of assurance in these areas.
- 7.4 **[REDACTED: likely to prejudice commercial interests].**
- 7.5 The Committee concluded that it was satisfied with the report of the Committee, subject to the changes requested, and that the Chair should be submit the report to the Board.

Mr Andrew Willis left the meeting

8 INTERNAL AUDIT PLAN 2017-18 – PROGRESS REPORT

- 8.1 RECEIVED AND NOTED: paper ref: AUD/18-19/018.
- 8.2 JSu was asked to ensure that the MyERP report shared with IT Committee and Finance & Major Projects Committee be circulated to the Audit Committee members offline.

9 UNIVERSITY OF BRISTOL RISK ASSURANCE FUNCTION – PROGRESS REPORT

- 9.1 RECEIVED AND NOTED: paper ref: AUD/18-19/019.
- 9.2 Noted that two appointments have been made and that onboarding has commenced, with their internal line manager being Steph Mustoe.

- 9.3 MA noted a further resourcing opportunity being explored to strengthen the strategic approach to assurance but that there was no firm conclusion to this process as yet.
- 9.4 AM highlighted the progress against the plan as per p249, noting that progress is slightly behind plan but that the focus had been on getting the team into place.
- 9.5 MA confirmed his comfort with the current approach and how things are working in the initial days

10 BREXIT IMPACT ASSESSMENT & ACTION PLAN

- 10.1 RECEIVED AND NOTED: paper ref: AUD/18-19/021.
- 10.2 RK introduced the report and positioned it as illustrative of where thinking was currently in the University. He further confirmed that since UUK had issued its guidance, a cross-check between the two papers had confirmed that there were no material gaps in the items being considered with UoB.
- 10.3 The Committee commented on the usefulness of the paper and further highlighted the hostile environment being experienced by some EU nationals in the UK as a further aspect of the current Brexit situation.

11 OFS AUDIT OF STUDENT PAYMENTS

- 11.1 RECEIVED AND NOTED: paper ref: AUD/18-19/022.
- 11.2 RK introduced the paper and noted that we had received notification that the issue was closed.
- 11.3 In response to a question, it was confirmed that there whilst there was a surprise that the evidence to respond to the questions could not be extracted from the University's systems, the findings did not give rise to material concerns within the institution.
- 11.4 RK confirmed that he expected that a follow up with happen in a couple of years. It is important that the action plan is monitored and delivered.

12 MINUTES OF MEETING 10 SEPTEMBER 2018

- 12.1 RECEIVED AND NOTED:
- 12.2 The Chair highlighted a proposed amendment to minute 10.2 to clarify that the investigation in to research misconduct had only covered work undertaken at University of Bristol.
- 12.3 Noted that the question asked in 10.4[REDACTED: Personal information].

13 ACTION REGISTER AND MATTERS ARISING

- 13.1 RECEIVED AND NOTED: paper ref: AUD/18-19/009.
- 13.2 In respect of the action relating to the Residential Life model, [REDACTED: likely to prejudice commercial interests]..
- 13.3 [REDACTED: Personal information]

14 ANY OTHER BUSINESS

- 14.1 GO noted that new DVC & Provost will be Judith Squires and will be in post by the next meeting.

- 14.2 GO will undertake to provide a TQEC Report at future meetings as previously requested.
- 14.3 Noted that the Registrar is presently Lynn Robinson and Jane Bridgwater and Sue Paterson are job-sharing as University Secretary until the new Registrar and Secretary is in post.
- 14.4 AP recognised HA's contribution as UoB's external audit partner and thanked her.
- 14.5 AP thanked IR for his contribution to the University via his participation on the Audit Committee over the previous 9 years and made a presentation on behalf of UoB and its trustees.
- 14.6 AP has confirmed that a meeting will be established involving the internal and external audit teams, RK and JSu to review the structure of the Audit Committee and its meetings going forward

15 DATE OF NEXT MEETING

- 15.1 The date of the next meeting was confirmed as 4 February 2019, 14:00 – 17:00 in Board Room, Beacon House, Queen's Road, BS8 1QU.