



## MEETING OF THE AUDIT COMMITTEE

MONDAY 14 OCTOBER 2019

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

### FINAL MINUTES

**Members Present:** Professor Mary Bishop, Ms Julie Goldstein, Dr Moira Hamlin, Dr John Manley, Mr Andy Poolman (Chair), Mr Andy Willis

**In attendance:** Professor Hugh Brady (Vice-Chancellor), Mrs Helen Cole (Senior Governance Officer and Clerk to the meeting), Mr James Hackney (Head of Financial Reporting) for item 14 (External Audit Annual Report) and item 15 (Annual Report and Financial Statements 2018/19), Robert Kerse (Chief Operating Officer), Professor Guy Orpen (Deputy Vice-Chancellor (New Campus Development) for item 11 (Strategic Risk Focus: Temple Quarter Enterprise Campus) and item 20 (AOB Whistleblowing), Mrs Lucinda Parr (Registrar and University Secretary), Professor Judith Squires (Deputy Vice-Chancellor and Provost) and Mr Jason Smerdon (Group Finance Director).

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

External Auditors: Mr Mark Ellis (PWC) and Mr Ian Davies (PWC)

#### Apologies:

Members: No apologies received

In Attendance: Mr Mick Axtell (Deputy Chief Financial Officer).

### 1 MEETING OF THE COMMITTEE AND AUDITORS WITHOUT UNIVERSITY OFFICERS PRESENT

- 1.1 NOTED that the Terms of Reference of Audit and Risk Committee required that: "Once a year, the Committee should meet the Internal Auditor and the External Auditor without University officers present." The Chair reported that the meeting had taken place and that no issues were raised and that the members and auditors agreed that they received good levels of interaction with, engagement from and access to the University Officers.

### 2 WELCOME

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

### 3 DECLARATIONS OF INTEREST

- 3.1 No new interests were declared.

### 4 MINUTES OF THE PREVIOUS MEETING

- 4.1 The minutes of the meeting on 19 July 2019 were APPROVED as a true and accurate record of the meeting.

## **5 AUDIT & RISK COMMITTEE TERMS OF REFERENCE 2019/20**

- 5.1 The Registrar and University Secretary introduced the report.
- 5.2 NOTED the attached Audit & Risk Committee Terms of Reference 2019/20
- 5.3 AGREED the following addition to section 6.4.1 in response to an action from Audit Committee on 19 July 2019.

“6.4.1.... Review annually the effectiveness of the internal audit function to determine whether it is satisfied that the independence, quality, experience and expertise of internal audit is appropriate for the University”

- 5.4 NOTED that the Committee was supportive of the sentiments in section 3.11 of the CUC HE Code of Governance (updated 2018) as detailed in the paper. AGREED that it would not be appropriate to include this statement in the Committee’s Term of Reference because the CUC guidance would be reviewed in due course. Additionally, guidance provided by the Office for Students on this area had been accounted for in the wording of the Committee’s Terms of Reference.

- 5.5 AGREED that the Terms of Reference should be amended as follows and circulated via email for approval to the members of the Committee.

“1.1.... Obtain at the University’s expense independent legal, accounting or other professional advice on any matter it believes it necessary to do so, ~~within the remit set out in these terms of reference....~~”

“7.... The Committee shall make whatever recommendations to the Board of Trustees it deems appropriate on any area ~~within its remit~~ where action or improvement is needed.”

**Action: Secretary to Audit and Risk Committee**

## **6 MATTERS ARISING & ACTIONS**

- 6.1 AGREED the closure of those actions listed as “Proposed Close” on the Audit and Risk Committee Action Register.

## **7 FINANCIAL PERFORMANCE PACK - SEPTEMBER 2019**

- 7.1 RECEIVED AND NOTED: paper ref: AUD/19-20/001
- 7.2 The Group Finance Director introduced the report and explained changes in the position since the last meeting on 19 July 2019.
- 7.3 NOTED the September 2019 Financial Performance Pack and CONSIDERED that management were taking appropriate levels of action as required.
- 7.4 **[REDACTED: likely to prejudice commercial interests].**

## **8 VALUE FOR MONEY STATEMENT (PART OF AUDIT COMMITTEE ANNUAL REPORT)**

- 8.1 RECEIVED AND NOTED: paper ref: AUD/19-20/002
- 8.2 The Group Finance Director introduced the report.
- 8.3 NOTED that the Committee had endorsed the University’s Value for Money Strategy at its meeting on 19 July 2019 and that the Value for Money Strategy was then approved by the Board of Trustees on 20 September 2019.

- 8.4 The Committee queried whether spending on teaching assessment had increased. Officers responded that the University was spending proportionally more in this area and that accuracy of how costs were attributed in this area had also improved.
- 8.5 The Officers clarified the definitions of cashable vs non cashable savings in the context of Higher Education reporting.
- 8.6 The Committee queried to what extent Value for Money was embedded in the wider University culture, in particular whether lower level staff were aware of the overarching goals and how their work at a local level might affect change. Officers responded that currently engagement was only at a higher level with the leaders of Faculties and Schools receiving guidance on the objectives of the Value for Money Strategy.
- 8.7 NOTED that in terms of value for money for recently completed large projects, the University had conducted internal or external reviews of processes and staff involved. The outcomes of such reviews were then applied to current projects. **[REDACTED: likely to prejudice commercial interests]**.
- 8.8 AGREED that for next year the Value for Money Statement should aim to include benchmarking data to a greater extent with the aim of defining more clearly the targets that the University aspired to in terms of Value for Money compared with its peer institutions. **[REDACTED: likely to prejudice commercial interests]**.
- 8.9 ENDORSED for approval by the Board of Trustees, the Statement for publication in the University Annual Report

## **9 KEY UNIVERSITY RISKS**

- 9.1 RECEIVED AND NOTED: paper ref: AUD/19-20/003
- 9.2 The Registrar and University Secretary introduced the report.
- 9.3 NOTED the University's risk profile as articulated through its Key University Risk Register and heat map (Appendix 2).
- 9.4 CONSIDERED and APPROVED the changes made to the calibration of the risk profile since the Committee's last meeting in July 2019. NOTED that the University senior executive staff had re-evaluated and re-quantified the risks and the overall risk profile. NOTED that in the previous iteration, the risks were too general and were affected to an excessive degree by the views of staff at local level without reflecting the overarching, institutional level perspective from senior staff.
- 9.5 The Committee discussed with the Officers the degree and depth to which the Committee had sight of the systematic monitoring and analysis of risks and mitigating actions that the University was undertaking. **[REDACTED: likely to prejudice commercial interests]**.
- 9.6 **[REDACTED: likely to prejudice commercial interests]**.
- 9.7 NOTED that the University is continuing to develop the Risk Management Framework. **[REDACTED: likely to prejudice commercial interests]**.
- 9.8 NOTED that the following areas would be considered in more depth via Strategic Risk Focus at the next meeting on 20 January 2020:
- Temple Quarter Enterprise Campus
  - Mental Health and Wellbeing Strategy Implementation

- Progress report on Cyber Security and Disaster Recovery (follow on from 29 April 2019)

## **10 STRATEGIC RISK FOCUS: BREXIT**

- 10.1 RECEIVED AND NOTED: paper ref: AUD/19-20/004
- 10.2 The Chief Operating Officer introduced the report.
- 10.3 CONSIDERED the BREXIT risk and impact assessment and the adequacy of the University's planning for a 'No Deal' BREXIT on the 31 October 2019.
- 10.4 NOTED that the University had plans in place for each eventuality and that it was hoped that greater clarity on the issues would emerge w/c 21 October 2019.

## **11 STRATEGIC RISK FOCUS: TEMPLE QUARTER ENTERPRISE CAMPUS**

- 11.1 RECEIVED AND NOTED: paper ref: AUD/19-20/005
- 11.2 The Chief Operating Officer introduced the report and The Deputy Vice-Chancellor (New Campus Development) joined the Committee for this item.
- 11.3 DISCUSSED the current risk status of the Temple Quarter Enterprise Campus programme. NOTED that going forward the Temple Quarter Enterprise Campus would be discussed in depth at each Board meeting.
- 11.4 **[REDACTED: likely to prejudice commercial interests].**
- 11.5 The Committee was assured that management was taking appropriate action with regard to Temple Quarter Enterprise Campus.

## **12 INTERNAL AUDIT PROGRESS – UPDATE REPORT**

- 12.1 RECEIVED AND ENDORSED: paper ref: AUD/19-20/006
- 12.2 The Internal Auditor introduced the report.
- 12.3 Within the context of a discussion on the International Executive Summary the Officers provided further details and explanation to the Committee on the ways that the six sub strategies were aligned with the overall University Strategy noting that the Board of Trustees had discussed and approved which areas should be prioritised. Additionally, it was noted that the remit of the Centre for Academic Language and Development had been reviewed and its focus shifted towards improving the conversion rate of international students to undergraduate and postgraduate courses delivered by the University.
- 12.4 **[REDACTED: likely to prejudice commercial interests].**
- 12.5 NOTED that the Committee would receive a report entitled Strategic Risk Focus: Cyber Security and Disaster Recovery at its meeting on 20 January 2020, this would serve to update the Committee on progress in this area since April 2019.
- 12.6 **[REDACTED: likely to prejudice commercial interests]**

## **13 INTERNAL AUDIT ANNUAL REPORT 2018/19 – FINAL DRAFT**

- 13.1 RECEIVED AND NOTED: paper ref: AUD/19-20/007
- 13.2 The Internal Auditor introduced the report.

- 13.2 NOTED the Internal Auditor reported that both senior members of the University executive team and more junior managers had been actively engaging with work of the University Assurance Team to develop and improve the risk, control and governance environment across the University. This demonstrated there was a real appetite to improve the way the institution operated.
- 13.3 The Committee asked the Officers how they would respond to and engage with the actions generated by the Internal Audit Reports in particular those Reports where partial or no assurance was received. The Officers responded that these areas were chosen for internal audit in dialog with the Internal Auditor because senior staff were aware of pre-existing issues. The University would use the results and actions agreed to actively manage improvements in these areas.
- 13.4 **[REDACTED: likely to prejudice commercial interests]**. NOTED that mitigation actions being taken by the University were detailed in both the Internal Audit Annual Report 2018/19 and the Audit and Risk Committee Annual Report 2018/19.

#### **14. EXTERNAL AUDIT ANNUAL REPORT**

- 14.1 RECEIVED AND NOTED: paper ref: AUD/19-20/008
- 14.2 The External Auditor introduced the report and the Head of Financial Reporting joined the Committee for this item.
- 14.3 DISCUSSED and CONSIDERED the issues raised in the management letter (Appendix 2) before APPROVING the financial statements (as per agenda item 15 below).
- 14.4 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.
- 14.5 NOTED that the University was required to submit this report to the Office for Students in accordance with the terms of conditions of funding.
- 14.6 NOTED that wider discussions between the sector's four main auditors over the disclosure and accounting pensions liability of the USS pensions liability were ongoing. The External Auditor, the Chair of Audit Committee and the Chief Operating Officer would continue to monitor this evolving situation.
- Action: External Auditor, Chair of the Audit and Risk Committee and the Chief Operating Officer**

#### **15. ANNUAL REPORT AND FINANCIAL STATEMENTS 2018/19**

- 15.1 RECEIVED AND NOTED: paper ref: AUD/19-20/009
- 15.2 The Group Finance Director introduced the report and the Head of Financial Reporting joined the Committee for this item.
- 15.3 The Committee suggested the following changes to the Annual Report and Financial Statements 2018/19:
- Update the definition of alumni association
  - Update relevant section to read that no members of the Board of Trustees are remunerated
  - Increased weight and reference to be given to the members of the Board of Trustees

- 15.3 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.
- 15.4 The Chair asked the External Auditor (Mr Mark Ellis) 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.
- 15.5 AGREED to RECOMMEND to the Board that the Annual Report and Financial Statements was an appropriate and reasonable representation of the financial position of the University for the year ended 31 July 2019 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**
- 15.6 NOTED that the narrative in the Strategic Report is consistent with the University's financial position and strategy.
- 16. AUDIT & RISK COMMITTEE ANNUAL REPORT 2018/19**
- 16.1 RECEIVED AND APPROVED: paper ref: AUD/19-20/010
- 16.2 The Chief Operating Officer introduced the report.
- 16.3 In discussion the Committee agreed that:
- "framework" should replace "arrangements" in para 2.7
  - para 4.5 should be improved, made more robust, needed to reflect wording/summary position from the internal auditor, needed to be more transparent
  - "reasonably assured" should replace "satisfied" in para 5.7
  - that the first bullet point in para 7.2 should be expanded to include "any weaknesses identified will be improved"
- 16.4 CONSIDERED and DISCUSSED the Annual Report of the Audit Committee for 2018/19 and DELEGATED AUTHORITY to the Chair of Audit and Risk Committee to agree the final version to be presented to the Board of Trustees and the Accountable Officer in response to the Committee's feedback.
- 17. NATIONAL COMPOSITES CENTRE LETTER OF ASSURANCE TO HVMC (HIGH VALUE MANUFACTURING CATAPULT)**
- 17.1 RECEIVED AND NOTED: paper ref: AUD/19-20/011
- 17.2 The Chief Operating Officer introduced the report.
- 17.3 NOTED that the National Composites Centre (NCC) was part of the Internal Audit programme for 2019/20.
- 17.4 **[REDACTED: likely to prejudice commercial interests].**
- 17.5 AGREED that the Committee could not provide positive assurance as detailed in the paper, in particular: "...has duly satisfied itself that these are sufficient and adequate processes in place to identify and control costs..."
- 17.6 AGREED that the Chair of the Audit and Risk Committee and the Chief Operating Officer would agree another form of words for presentation to HVMC. Once agreement had been obtained the Committee DELEGATED AUTHORITY for the Chair of the Audit and Risk Committee to sign the letter.  
**Action: Chair of the Audit and Risk Committee and the Chief Operating Officer**

- 18. ARRANGEMENTS FOR OFS REPORTABLE AND MATERIAL ADVERSE EVENTS – UPDATED VERSION OF THE PAPER THAT AUDIT CTTE APPROVED ON 29 APRIL 2019.**
- 18.1 RECEIVED AND NOTED: paper ref: AUD/19-20/012
- 18.2 The Registrar and University Secretary introduced the report.
- 18.3 CONSIDERED the arrangements for reporting ‘Reportable Events’ and ‘Material Adverse Events’ and 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, and,
- 18.4 APPROVED the amendments that had been made to the report since the Committee approved the paper at its meeting on 29 April 2019. NOTED that the principle change was that the reporting procedure had been amended based on the new definition of a reportable event definition following legal advice provided to the University on the applicability of the Charity Commission Guidance.
- 19. UPDATE REPORT ON [REDACTED: likely to prejudice commercial interests].)**
- 19.1 RECEIVED AND NOTED: paper ref: AUD/19-20/013
- 19.2 [REDACTED: likely to prejudice commercial interests].
- 19.3 [REDACTED: likely to prejudice commercial interests].
- 19.4 [REDACTED: likely to prejudice commercial interests].
- 20. WHISTLEBLOWING REPORT**
- 20.1 RECEIVED: TABLED (on file)
- 20.2 The Deputy Vice-Chancellor (New Campus Development) (the Whistleblowing Officer at the time the incident took place) joined the Committee for this item.
- 20.3 AGREED that although the incident was regrettable, the Committee noted that the Whistleblowing Policy had been used effectively and in a timely manner.
- 20.4 AGREED that if Committee members had further queries on the report, they should contact the Registrar and Secretary (current Whistleblowing Officer).
- 21. ANY OTHER BUSINESS AND FORWARD PLAN**
- 21.1 RECEIVED AND NOTED: paper ref: AUD/19-20/014
- 21.2 CONSIDERED the Forward Plan for the Committee.
- 21.3 AGREED that at a future meeting, the Committee should receive an update on Widening Participation as meeting targets in this area was a core requirement from the Office for Students. Secretary to update forward plan.
- Action: Secretary**
- 21.4 AGREED that the senior roles responsible for change management and business continuity should be included in the remit in the existing Internal Audit entitled Strategic and Business Planning.
- Action: Internal Auditors**

21.5 The Chair expressed thanks both personally and on behalf of the Committee to Dr John Manley whose term of office as a member of the Committee and member of the Board of Trustees was ending on 31 December 2019.

**22. DATE OF NEXT MEETING**

22.1 The date of the next meeting was confirmed as Monday 20 January 2020, 14:00 – 17:00 in Board Room, Beacon House, Queen’s Road, BS8 1QU.