



## MEETING OF THE AUDIT COMMITTEE

MONDAY 20 JANUARY 2020

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

### MINUTES

**Members Present:** Dr Madhu Bhabuta, Dr Mary Bishop, Ms Julie Goldstein, Mr Andy Poolman (Chair) and Mr Andy Willis.

**In attendance:** Mr Mick Axtel (Chief Financial Services Officer), Mr Jack Boyer (Chair of the Board of Trustees), Mrs Helen Cole (Senior Governance Officer), Robert Kerse (Chief Operating Officer), Professor Guy Orpen (Deputy Vice-Chancellor (New Campus Development)) at 15:45 for item 11 (Strategic Risk Focus: Temple Quarter Enterprise Campus), Mrs Lucinda Parr (Registrar and University Secretary), Professor Judith Squires (Deputy Vice-Chancellor and Provost), Mr Jason Smerdon (Group Finance Director) and Mr Keith Woolley (CIO) at 16:45 for item 12 (Strategic Risk Focus: Cyber Security and Disaster Recovery) and for item 14 (OfS Reportable Events: Suspected theft of IT equipment)

Internal Auditors: Mr David Broughton

External Auditors: Mr Mark Ellis (PWC)

#### Apologies:

Members: Dr Moira Hamlin

#### WELCOME

The Chair welcomed members and attendees and noted apologies.

#### 1 MINUTES OF THE PREVIOUS MEETING

- 1.1 The minutes of the meeting on 14 October 2019 were APPROVED as a true and accurate record of the meeting

#### 2 MATTERS ARISING & ACTIONS

- 2.1 In reference to 16.7 (Whistleblowing Policy), the Registrar advised that consultations with the Unions were ongoing.
- 2.2 With reference to 4.4.4 (Strategic Risk Focus on Student Health and Wellbeing Strategy Implementation), it was NOTED that the Chair of the Committee, DVC and Provost and Registrar had agreed to the deferment to April 2020 of this item.
- 2.3 With reference to 4.4 (Non-Disclosure Agreements), it was NOTED that Non-exec oversight will lie with Remuneration Committee for those individuals covered by the Remuneration Committee's ToR and via an annual anonymized report to Audit & Risk Committee for other individuals. AGREED that the relevant section of Remuneration Committee's ToR should be shared with Audit and Risk Committee and the Annual Anonymized Report be added to the Audit and Risk Committee forward plan.

**Action: Secretary**

#### 3 CHAIR'S BUSINESS

- 3.1 NOTED: none.

#### **4 DECLARATIONS OF INTEREST**

- 4.1 NOTED that Madhu Bhabuta was a Non-Executive Director Designate on the Trust Board of Directors at the University Hospitals Bristol NHS Trust (UHBT).

#### **5 Chief Operating Officer UPDATE REPORT**

- 5.1 RECEIVED AND NOTED: paper ref: AUD/19-20/015
- 5.2 The Committee discussed the evolving political situation resulting from the December 2019 General Election and the start of the transition period for withdrawal from EU currently by 31 December 2020. The Committee noted that the next period of uncertainty had now moved to the end of the transition period but that the University had developed action plans to mitigate associated risks, as currently identified. The evolving position will have to be monitored very closely and the BREXIT Business Continuity Group will oversee the development of plans to address the nature and profile of the associated risks as they develop during 2020.
- 5.3 **[REDACTED: likely to prejudice commercial interests].**
- 5.4 The Committee received an update on the USS Valuation noting that the next planned increase in contributions was in October 2021. It was noted that increased contribution rates had been included in the financial forecasts approved by the Board of Trustees November 2019 and potential future increased costs relating to USS were also on the Key University Risk Register.
- 5.5 The Committee received an updated on the effect and influence of strike action taken by UCU (University and College Union) between 25 Nov and 3 Dec 2019 and the potential for further industrial action in 2020. It was noted that the University was continuing to plan for the future impacts of the strike including **[REDACTED: likely to prejudice commercial interests].**
- 5.6 Officers advised that there was anecdotal evidence that many staff were more concerned about the University's performance on the following issues: gender pay gap, ethnical pay gap, casualisation and staff workload. The University was therefore focused on communicating improvements and developments in these areas in addition to engaging positively with staff taking strike action.
- 5.7 The Committee received an update on the completion of the Fry Building noting that staff and students were overwhelmingly positive regarding the final result.  
**[REDACTED: likely to prejudice commercial interests].**
- 5.8 The Committee discussed the University's Health and Safety obligations, in particular regarding compliance within the diverse types of residential accommodation provided to students. It was noted that an internal audit of landlord health and safety was planned for 2020/21.
- 5.9 **[REDACTED: likely to prejudice commercial interests].**
- 5.10 It was noted that 70% of University students resided in HMOs (Houses of Multiple Occupancy). Officers advised the Committee that each year the University offered support and advice to students on renting with third party accommodation including the "don't rent yet" campaign. The University was continuing to engage and liaise with building control enforcement agencies at both the national and local level.
- 5.11 **[REDACTED: likely to prejudice commercial interests].**

#### **6 REVENUE SHORTFALL MITIGATION PLANS**

- 6.1 RECEIVED AND NOTED: paper ref: AUD/19-20/016

- 6.2 DISCUSSED the paper, noting the minutes from the discussion on the same paper at Finance and Infrastructure Committee on 12 December 2019 (detailed in the Executive Summary).
- 6.3 The Committee noted that the paper was based on a desktop exercise designed to give an understanding of potential cost savings available to the University to address a revenue shortfall or upward cost pressures on both an in-year and longer-term basis.
- 6.4 The Committee was assured that the University had considerably improved its contingency planning in this area and had produced and tested a more robust series of scenarios than previously. **[REDACTED: likely to prejudice commercial interests]**.

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

**7 FINANCIAL PERFORMANCE PACK – NOVEMBER 2019**

- 7.1 RECEIVED AND NOTED: paper ref: AUD/19-20/017
- 7.2 The Committee discussed the financial performance for the first four months of financial year 2019/2020 (to 30th November) and considered that management were taking appropriate levels of action to address areas of underperformance.

**8 ANNUAL TRANSPARENT APPROACH TO COSTING (TRAC) RETURN AND TRAC FOR TEACHING (TRAC(T)) REPORT IN RELATION TO ACADEMIC YEAR 2018-19**

- 8.1 RECEIVED AND NOTED: paper ref: AUD/19-20/018
- 8.2 The Committee noted that the University Executive Board (UEB), in its role as TRAC Oversight Group, had recommended approval of the TRAC and TRAC(T) returns to the Audit and Risk Committee. Additionally, the TRAC and TRAC(T) returns presented had been subject to review by the TRAC Scrutiny Group, which included representatives from the academic community and faculty finance teams.
- 8.3 The Committee approved the University of Bristol TRAC and TRAC(T) returns and research overhead charge-out rates for 2018/19.
- 8.4 [Subsequent to the meeting, on 24 January 2020, the Committee were advised via email of the following with updated data attached (**on file**).  
*“On 22 January, the OfS released a revised version of the Total Funding Proxy figure. This revision was to correct an error which OfS had discovered in the figures it had previously supplied to institutions, including the University of Bristol, for use in their TRAC(T) returns. The Total Funding Proxy is an amount which is deducted from the cost of publicly funded teaching (as stated in the TRAC return) to arrive at subject related costs which are in scope for TRAC(T). **[REDACTED: likely to prejudice commercial interests]** There is no effect on the TRAC return or charge out-rates, which were approved by the committee at the same meeting.”*  
Via email, the members of the Committee responded to the Secretary to confirmed that they were content to approve the slightly different version of the return.]
- 8.5 The Committee noted that the collection of the data was required by the OfS and queried how the University could use the data for its own purposes and benefit. Officers responded that the data had some intrinsic value because it allowed benchmarking against other institutions and indicated potential research grant charge out rates. (i.e. The expected cost of grants, direct costs vs indirect cost that each funder provided.). Additionally, the data could help the University identify areas where the teaching costs were outside of the expected range and respond accordingly.

8.6 NOTED that the TRAC and TRAC(T) returns would be included in the internal audit entitled “Key financial controls – Regulatory reporting” scheduled for 2019/20.

## **9 VALUE FOR MONEY**

9.1 RECEIVED AND NOTED: paper ref: AUD/19-20/025

9.2 The Committee discussed the ways in which the committee could satisfy themselves around giving assurance on Value for Money (VfM) particularly around giving VfM for both the taxpayer and students. NOTED that the Committee was required to consider the University’s Value for Money Statement (as part of the University’s annual report each October).

9.3 The following points were noted:

- The Office for Students currently did not provide a definition of VfM to the sector.
- The benchmarking data presented in the VfM score card presented in October 2020 should be increased and diversified compared to the October 2019 submission to show bench marking against the comparable institutions.
- There was further work for the University to do in explaining how tuition fees were spent, for example the funding of Temple Quarter.

9.4 AGREED that the Value for Money Statement presented in October 2020 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. NOTED that the extent to which such data appeared in the public domain needed to be kept under review to ensure that the University was not disadvantaged at a later date.

9.5 AGREED that the Committee did not need to review the Value for Money Strategy at its meeting on 29 April, consideration of the Value for Money Statement at the October 2020 meeting would be sufficient. Secretary to share minute of discussions with relevant staff and to update Committee’s forward plan.

**Action: Secretary**

## **10 KEY UNIVERSITY RISKS**

10.1 RECEIVED AND ENDORSED: paper ref: AUD/19-20/019

10.2 The Committee was assured that the University’s arrangements for risk management are adequate and effective.

10.3 It was noted that the risks relating to Industrial Action and the University’s response were being actively managed by the Industrial Action Group.

10.4 The Committee queried how the University was continuing to prepare for the potential introduction of subject level TEF. **[REDACTED: likely to prejudice commercial interests]**.

10.5 For future iterations the Committee agreed that the following elements would improve the usefulness and understanding of the documentation and should be shared with the report author.

- An indication of progression against an aim i.e. displaying the current score between residual and target.
- Addition of a trend indicator aside from the summary sheet.

**Action: Secretary**

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

11.1 RECEIVED AND NOTED: paper ref: AUD/19-20/020

11.2 The Committee queried whether the governance arrangements, the degree of strategic oversight on interconnectivity across the institution and the level of institutional expertise within the University were still appropriate as the construction phase of the programme moved closer. Officers noted that that the programme was now a standing item on both Finance and Infrastructure Committee and the Board of Trustees. Additionally, an internal audit of Temple Quarter Governance had provided reasonable assurance regarding expertise and that action was being taken to create an integrated master schedule to cover the whole programme and therefore identify interdependencies. Senior members of staff were also reviewing the current project management arrangements with an external consultant over the next week.

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

11.4 [Subsequent to the meeting, on 21 January 2020, the following documents were circulated to the Committee by the Secretary:

- Temple Quarter Governance Summary **(on file)**
- Temple Quarter Programme RACI (responsible, accountable, consulted and informed) **(on file)**

11.5 The Deputy Vice-Chancellor (New Campus Development) joined the Committee for this item.

11.6 The Committee discussed the current risk status of the Temple Quarter Enterprise Campus programme. The Committee was assured that management was taking appropriate action with regard to Temple Quarter Enterprise Campus. **[REDACTED: likely to prejudice commercial interests].**

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

## **12 STRATEGIC RISK FOCUS: CYBER SECURITY AND DISASTER RECOVERY (FOLLOW ON FROM AUDIT CTTE ON 29 APRIL 2019)**

12.1 RECEIVED AND NOTED: paper ref: AUD/19-20/021

12.2 The Chief Information Officer introduced the report and joined the Committee for this item.

12.3 The Committee discussed the current position of the Cyber Security and IT Disaster Recovery Risks. The Committee was assured regarding the adequacy of both completed and planned actions to address issues raised and the appropriateness of the target risk score. It was noted that the CIO anticipated the removal of these risks from the Key University Risk Register over the next six months and moving to making management of these areas part of “business as usual” for the University.

12.4 NOTED that the IT Strategy was currently being developed and that Finance and Infrastructure Committee had received a draft version at its meeting on 12 December 2019.

## **13 INTERNAL AUDIT PROGRESS REPORT**

13.1 RECEIVED AND NOTED: paper ref: AUD/19-20/022.

13.2 The Internal Auditor introduced the report.

13.3 DISCUSSED and NOTED the Internal Audit Progress Report including the 2018/19 and the 2019/20 internal audit programme.

13.4 Officers advised the Committee that actions were being taken to review and reduce overspend against budget in response to the findings of the Internal Audit on Recruitment.

13.5 The Committee queried whether an internal audit of the entire HR Division was required given that the following four internal audits that had reported since October 2019 had raised key findings in common: Staff Recruitment, Staff Expenses, Temporary Staffing Services, Hourly Paid Teachers. Officers responded that RSM had been asked to provide an assessment of the University HR function using its own HR internal auditor experts. The Committee would be advised of the expected reporting date for this assessment in due course.

**Action: Secretary**

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

#### **14 OFS: REPORTABLE EVENTS**

14.1 RECEIVED AND APPROVED: paper ref: AUD/19-20/023

14.2 The Registrar and University Secretary introduced the report.

14.3 NOTED that the four following reportable events have been submitted to the Office for Students:

- Suspected theft of IT equipment
- UCU strike action
- Potential legal action
- **[REDACTED: likely to prejudice commercial interests].**

14.4 In relation to queries from the Committee regarding the “Suspected theft of IT Equipment” event. **[REDACTED: likely to prejudice commercial interests].** The ICO (Information Commissioner's Office) has confirmed that it is not taking any further action. Additionally, Officer advised that planned changes to IT divisional processes and role responsibilities around asset management would help to prevent repetition of this type of event.

#### **15 ANY OTHER BUSINESS INCLUDING FORWARD PLAN**

15.1 RECEIVED AND NOTED: paper ref: AUD/19-20/024

15.2 CONSIDERED and NOTED the forward plan.

#### **16 DATE OF NEXT MEETING**

16.1 The date of the next meeting was confirmed as Monday 27 April 2020, 14:00 – 17:00 in Board Room, Beacon House, Queen’s Road, BS8 1QU.