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**Meeting:** **AUDIT COMMITTEE**

**Date and time:** **Wednesday 13<sup>th</sup> June 2018 at 10.15 am**

**Venue:** **4 West Board Room**

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**Present:** Mrs R Foreman (Chair)

Mr T Ford	Lay member of Council
Mrs C Gibbons	Lay member of Council
Mrs C Moar	Appointed member
Mr S Sharpe	Lay member of Council

Dr M Ellis, Partner, and Ms S Mortimer, Manager, PwC attended the meeting by invitation

**In attendance:**

Mr M Williams	Director of Finance
Mr S Fenne	Deputy Director of Finance
Mr T Stanton	Head of Internal Audit
Ms M C Henderson	Secretary

**Apologies:** Professor Dame Glynis Breakwell Vice-Chancellor

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## **ACTION**

### **1419 MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 18<sup>th</sup> April 2018 (Paper A17/18-051) were approved as a correct record and signed by the Chair.

### **1420 MATTERS ARISING**

- (1) Minute 1410 (1), MA: Internal Audit Report 13-2015/16: Cyber-Security

The Committee received the IT Service Criticality Timings Guide (Paper A17/18-052) which was intended to provide further information relevant to determining appropriate levels of rigour of service management as set out in Paper A17/18-041.

The Committee agreed that:

- The attention of VCG should be drawn to Audit Committee's general concerns related to IT
- Mr Steve Egan, Vice-President (Implementation), who has oversight of Computing Services, would be invited back to the Committee along with colleagues to continue the dialogue on IT measures being undertaken by the University
- Consideration would be given to the offer of input from the PwC cyber-security team including benchmarking of IT controls against other HE institutions
- Committee members noted that other points relating to IT had been raised in previous audit reports and the Head of Internal Audit was invited to bring a report with open audit points consolidated into a single record for the Committee to gain a better overview of management of the area and whether outstanding actions were being prioritised for action.

HoIA

(2) Minute 141, External Auditor: Additional Service Report

The Deputy Director of Finance confirmed that he had amended the criteria for determining whether non-audit work could be undertaken by the External Auditor (Paper A17/18-042) in line with comments made by the Committee at the previous meeting.

(3) Minute 1412, Counter-Fraud Activity

The Director of Finance reported that there had not been any allegations of fraud brought under the Whistleblowing Policy in the last ten years.

(4) Minute 1416, BUFDG Audit Survey

The Director of Finance reported that the BUFDG had provided information to bench-mark against the in-house spend on the Internal Audit service.

The Committee considered the balance of in-house and external expertise within the Internal Audit Department. It was noted that further out-sourcing would have a budget impact. The IAAPS (Institute of Advanced Automotive Propulsion Systems) and IoC (Institute of Coding) were further noted to present budget implications (see Minute 1431 below).

**1421 STATUS REPORT ON INTERNAL AUDITS**

The Committee received a report on the progress of audits included in the 2016/17 and 2017/18 programmes (Paper A17/18-053).

The Head of Internal Audit reported that fieldwork was in progress or had been completed for the remaining audit areas. He remained confident that the timetable for carrying out the current year's audit programme was achievable.

A member of the Committee asked about significant delay in producing final reports of some audit investigations. The Head of Internal Audit noted that this was due to issues of timing but not to management resistance in accepting the reports.

**1422** **INTERNAL AUDIT REPORT 11-2016/17: UNIVERSITY-WIDE STRATEGIES AND MONITORING**

The Committee received Internal Audit Report 11-2016/17: University-wide Strategies and Monitoring (Paper A17/18-054).

The Committee noted that the arrangements for managing the risks related to the development of University-wide strategies and monitoring were reasonably effective.

In the course of further discussion, the Committee noted that it was not always easy to determine metrics to show the success or failure of a strategy eg Education Strategy objectives to deliver teaching excellence.

**1423** **INTERNAL AUDIT REPORT 14-2016/17: FACULTY OF SCIENCE: RESEARCH FACILITIES**

The Committee received Internal Audit Report 14-2016/17: Faculty of Science: Research Facilities (Paper A17/18-055).

The Committee noted that the arrangements for managing the risks related to management of research facilities within the Faculty of Science were reasonably effective.

**1424** **INTERNAL AUDIT REPORT 01-2017/18: PROJECT MANAGEMENT**

The Committee received Internal Audit Report 01-2017/18: Project Management (Paper A17/18-056).

The Committee noted that the arrangements for managing the risks related to project management were reasonably effective. The Head of Internal Audit reported that a grade A issue related to the change control process and potential for project 'creep' due to cost, time, scope and quality parameters not being clearly articulated at initiation. A Grade B issue related to measuring benefit realisation. The Committee considered that assessing benefit realisation was essential to improving project management in the future. This was also applicable to review of Council approved strategies and projects enabling lessons to be learnt and successes celebrated.

**1425** **INTERNAL AUDIT REPORT 02-2017/18: STUDENT MENTAL HEALTH**

The Committee received Internal Audit Report 02-2017/18: Student Mental Health (Paper A17/18-057).

The Committee noted that the arrangements for managing the risks related to student mental health were reasonably effective. The

Committee queried whether the timescales for actions were too extended, given the importance of this area for the University. The Head of Internal Audit confirmed that, although prudent timescales had been assigned, there was confidence that action would be taken on these topics (noting in particular a good response on a previous Student Disability audit). One member of the Committee noted that there had been limited information to Council on this topic despite mental health support being one of the Students' Union top ten priorities.

It was agreed that Professor Peter Lambert, Pro-Vice-Chancellor (Learning and Teaching) and Mr Anthony Payne, Director of Student Services, should be invited to attend a meeting of Audit Committee to give a presentation as part of the 2018/19 risk presentation series.

**SEC**

**1426 INTERNAL AUDIT REPORT 06-2017/18: FIRE SAFETY**

The Committee received Internal Audit Report 06-2017/18: Fire Safety (Paper A17/18-058).

The Committee noted that the arrangements for managing the risks related to fire safety were reasonably effective.

**1427 INTERNAL AUDIT REPORT 08-2017/18: DATA QUALITY (HESA STAFF RETURN)**

The Committee received Internal Audit Report 08-2017/18: Data Quality (HESA Staff Return) (Paper A17/18-059).

The Committee noted that the arrangements for managing the risks related to the preparation and submission of the HESA Staff Return were effective. The Head of Internal Audit noted that the findings of this audit investigation would be used alongside other audit reports to underpin the annual data opinion.

**1428 HALPIN REVIEW REPORT**

The Committee noted that Council had considered the Halpin Review report at its meeting on 24<sup>th</sup> May 2018; Court had subsequently met to consider the report on 7<sup>th</sup> June 2018. The Halpin Review report is available at:  
<http://www.bath.ac.uk/publications/the-halpin-review/attachments/halpin-review.pdf>.

The Chair reported that she would be standing down from the Committee for a year in order to Chair the Steering Group which would consider the report recommendations. In response to a question, the Chair proposed that discussion of the report recommendations affecting the Audit Committee should be an item on the agenda of the October meeting.

**SEC**

The Committee considered that the University was at a point of significant change and transition with the appointment of a new Vice-Chancellor, new Chair of Council and implementation of the

Halpin report recommendations. The Chair reported that, just as an executive search and assessment firm had been engaged to assist with the appointment of a new Vice-Chancellor (Saxton Bampfylde), a firm of consultants would be identified to assist with the appointment of a new Chair of Council.

**1429**     **AUDIT COMMITTEE SELF-ASSESSMENT**

The Chair reminded the Committee that, in order to evaluate its effectiveness, it considered a checklist of attributes relating to the knowledge and skills and processes required to support its work (Paper A17/18-060). The profiles of members of the Committee had been provided as background information. An email circulated in January from Mr Sharpe to other members of the Committee was tabled.

The Committee welcomed Mr Sharpe's comments on its performance and his reminder that its terms of reference included 'To keep under review the effectiveness of the risk management, control and governance arrangements'. It was considered that the Audit Committee should have perhaps played a stronger role in identifying deficiencies in governance arrangements in recent years; for example, in relation to the Remuneration Committee.

The Committee agreed that the vacancy for a second external Appointment Member should be filled and the Chair suggested that there was a need for further expertise in relation to Higher Education.

The recommendation of the Halpin Review report that the Audit Committee should become the Audit and Risk Assurance Committee was noted for further discussion. The terms of reference were due for review and this would be considered as part of this recommendation. A member of the Committee asked for it to become practice that a senior member of the Vice-Chancellor's Office (Deputy Vice-Chancellor or Pro-Vice-Chancellor) attend meetings when the Vice-Chancellor was unable to do so.

The Chair proposed that a report be prepared for Council capturing some of the Committee's comments.

**CHAIR /  
SEC**

**1430**     **PwC EXTERNAL AUDIT PLAN**

The Committee received the PwC External Audit Plan for audit of the 2017/18 University accounts (Paper A17/18-061).

Ms Mortimer drew attention to the scope of the audit and mechanisms for adding value throughout the audit process. With regard to the latter, she reported that data analytics work had highlighted potential opportunities for improving cash management through rescheduling the timing of supplier payments. Ms Mortimer noted that the audit approach had identified three significant risks in line with ISA (UK) 240. Additionally some 'elevated' risks had been identified. The fraud risks' responsibilities were set out in the plan

and the Committee was asked to confirm that it had no knowledge of actual, suspected or alleged fraud.

There was some discussion of how current risks might affect the use of the going concern basis for accounting. Dr Ellis reported that PwC was comfortable with the appropriateness of the going concern basis but noted that the ability to model dynamically the variables in plans and strategies and to avoid complacency would be important factors in maintaining this.

The Committee noted a suggestion that Appointed members should be able to see the Council meeting agenda and request papers. The Committee's role in ensuring that the University's Annual Report that accompanied the Financial Statements was sufficiently cutting edge and strategic to meet the expectations of the Office for Students was considered.

**SEC of  
COUNCIL**

Dr Ellis and Ms Mortimer were thanked for their report.

AGREED to

- (1) approve the PwC audit plan for the year ending 31<sup>st</sup> July 2018 and  
recommend to Council the payment of fees of £51,500 (excluding VAT), in line with the contract negotiated.

**1431 THREE YEAR AUDIT STRATEGY 2018-2021 AND ANNUAL PLAN 2018/19**

The Committee considered the outline three-year audit strategy for 2018-21 and annual plan for 2018/19 as set out in Paper A17/18-062.

The Chair noted that the IAAPS (Institute of Advanced Automotive Propulsion Systems) and IoC (Institute of Coding) presented resource implications given the significant scale of the projects. She said that she had raised this in discussions with the Head of Internal Audit and would leave it for further discussion between the Director of Finance and Head of Internal Audit.

**CHAIR**

The Head of Internal Audit reported that he had taken into account the Vice-Chancellor's suggestion that the annual plan flag those audit areas that were key to the annual assurance opinion. Mr Stanton responded to questions from the Committee and undertook to consider an audit benefit realisation marker within reports. A member of the Committee reminded officers to continue to keep under review the value for money of the Pall Mall base. The Director of Finance noted that this would be discussed in particular at the point of considering the break clause in the current lease.

**HoIA**

AGREED to approve the audit strategy for 2018-21 and annual plan for 2018/19, subject to any changes required following the presentation of the Risk Register at the next meeting of Council.

**1432 RETIRING MEMBERS**

The Chair warmly thanked Mr Sam Sharpe for his very valuable contributions to the work of the Committee.

**1433 TRAINING EVENTS FOR AUDIT COMMITTEE MEMBERS**

The following training events were noted:

**(1) BDO Seminars**

Details available from: <http://www.bdo.co.uk/events>

**(2) PwC briefings**

<https://www.pwc.co.uk/industries/government-public-sector/education/he-matters.html> for which a subscription can be facilitated by the Deputy Director of Finance

**(3) Leadership Foundation for HE**

Details available from: <https://www.lfhe.ac.uk/en/programmes-events/indix.cfm>

**(4) KPMG Audit Committee Institute events**

Details available from: <http://www.kpmg.co.uk/aci/>

**1434 DATES OF MEETINGS**

The Committee noted the programme of meetings for 2018/19:

Wednesday 3 October 2018

**Tuesday** 13 November 2018

Wednesday 23 January 2019

Wednesday 3 April 2019

Wednesday 12 June 2019

The Committee agreed to start meetings at 11 am with effect from October. All meetings will be held in the 4 West Board Room.

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The meeting concluded at 12.45 pm

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