
Meeting: **AUDIT AND RISK ASSURANCE COMMITTEE**

Date and time: **Wednesday 3 October 2018 at 11 am**

Venue: **4 West Board Room**

Present: Mr T Ford (Chair)
Mrs C Gibbons ** Lay member of Council
Mrs C Moar Lay member of Council
Mr P Troughton Lay member of Council

In attendance: Professor B Morley * Acting Vice-Chancellor
Mr S Fenne Deputy Director of Finance
Mr T Stanton Head of Internal Audit
Mr M Williams Director of Finance
Ms M C Henderson Secretary

* Professor Morley was present for the business recorded in Minutes 1435 to 1453

** Mrs Gibbons was present for the business recorded in Minutes 1435 to 1454

ACTION

1435 DECLARATIONS OF INTEREST

Mrs Moar reported that she is a lay member of the UKRI (UK Research and Innovation) Audit, Risk, Assurance and Performance Committee.

1436 IT OPEN AUDIT POINTS REPORT AND CYBER-SECURITY UPDATE

The Committee received

- (1) Report on open audit points relating to IT (Paper A18/19-001) and
- (2) Update report on IT security and controls (Paper A18/19-002).

Mr Steve Egan, VP (Implementation), Ms Alex Butler, Interim Lead for Computing Services, Dr Roger Jardine, Assistant Director (IT Infrastructure), and Mr Gordon Roberts, Assistant Director (MIS), attended for this item of business.

The VP (Implementation) reported that many of the earlier weaknesses in the IT systems including control of mobile devices,

use of Microsoft standard products, licensing controls and retention of staff had been addressed and he considered that Computing Services was able to offer good student support, customer service and a reliable IT system. There was agreement to consider investment in digital services and a need to improve inter-connectivity between systems. The priority was to enable the University to maximise the advantages of new digital developments and services. Historically, individual systems had been designed to increase the effectiveness of prescribed areas but the inter-connectivity of such areas was poor and in need of improvement. In response to a question, it was reported that the process of approving new systems or changes to systems was principally through the Corporate Systems Improvement Board and the University Executive Board. Whilst some digitally based innovations and solutions came via Departments, this was not common because people lacked the skills base to formulate proposals.

With regard to cyber-security, the IT team considered that because of its evolving character this would remain an area of risk. The most significant risks no longer related to staff retention or procurement but to Cloud strategy management, staff skills transformation for managing the transition to greater Cloud usage and to ensuring greater connectivity of systems and resilience against cyber-attack. Top level governance arrangements and documentation in certain areas were in the process of enhancement.

The IT team confirmed that the deadlines for action on open audit points were achievable. Penetration testing of cyber-security would be carried out by an external company next month and internal vulnerability scanning was on-going.

The Committee thanked the VP (Implementation) and colleagues for attending the meeting and asked for an update at the 23 January 2019 meeting on clearance of open audit points and representation of current IT risks on the Risk Register.

1437 HALPIN REPORT

The Committee noted that the University Council had agreed to rename the Committee to Audit and Risk Assurance Committee and asked it to consider recommendations SR 45, 46 and 47 of the Halpin Review Report. It received Paper A18/19-003 setting out in an appendix proposals for amendments to Terms of Reference.

In the course of discussion, the Committee made the following amendments, shown in bold type, to the draft Membership and Terms of Reference where underlined text denotes new wording:

- 1 **Roles and Responsibilities** (of Audit and Risk Assurance Committee, Finance Committee and Remuneration Committee)
- 1.1 Removal of final sentence relating to arrangements during implementation of Halpin Review Report recommendations.

- 2 Terms of Reference
- 2.1 Internal Auditors: (7) To review **and approve** the Internal Auditors' audit risk assessment, strategy and programme
- 2.2 Financial Statements: (10) To consider, in the presence of the External Auditors, the final version of the audited financial statements after they have been submitted to Finance Committee, **reviewing** the auditors' formal opinion, **the corporate governance statement including a report from the Remuneration Committee**, the statement of members' responsibilities, the statement of internal control, **the statement of principal accounting policies, the statement of consolidated and University comprehensive income, the consolidated and University statement of changes in reserves, the consolidated and University balance sheet and the consolidated cash flow statement** (*Note: some financial information references have been updated to reflect terminology used post FRS 102 adoption*). **The role of the Committee will be to consider whether the University has adopted appropriate accounting policies, made appropriate estimates and judgements, made disclosures with appropriate clarity and completeness and set these properly in context. The Committee will receive, as appropriate, a report on any critical judgements informing preparation of the accounts.** The Committee will then recommend, if thought fit, the financial statements to Council for approval.
- 2.3 Financial Statements: (11) To **consider** reports from Finance Committee on any changes to accounting policies
- 2.4 Internal Control: (16) **To consider risk management reports and to recommend to Council the Risk Register**
- 2.5 Internal Control: (17) **To recommend to Council the Public Interest Disclosure (Whistleblowing) Policy and Procedure, and to receive reports of disclosures made or an annual statement of confirmation that no such cases have arisen.**

AGREED, subject to endorsement by the Council Effectiveness Review Steering Group and University Executive Board, to recommend to Council that the revised membership and terms of reference of the Audit and Risk Assurance Committee should be approved.

The Committee considered that its remit as a Risk Assurance Committee covered the following:

- 1 To provide oversight of core financial, risk management and control policies

- 2 To be reassured of the arrangements for risk capture across all areas of institutional activity (via University Executive Board, Emergency Management Team / Business Continuity plans and so forth and the statutory committees of the University)
- 3 To receive at each meeting a report on how emerging and significant risks are being managed (specifically IAAPs (Institute of Advanced Automotive Propulsion Systems) and IoC (Institute of Coding) but also other live risks).

1438 INTERNAL AUDIT DEPARTMENT'S TERMS OF REFERENCE

The Committee noted the Terms of Reference of the Internal Audit Department (Paper A18/19-004). It was proposed that the new responsibility of Audit and Risk Assurance Committee (6) to review every three years the Internal Audit Service to ensure that it is performing efficiently, effectively and economically be referenced. In this regard, the use of KPIs such as those which underlie the internal audit plan and other metrics to benchmark the findings of such a review were considered to be a useful tool.

HoIA

The Committee suggested an amendment, shown in bold type, to the Internal Audit Department's Terms of Reference under Responsibilities: (7) To provide the required assurance, the internal audit department will undertake a programme of work, **which has been approved by Audit and Risk Assurance Committee**, based on a strategy authorised by the Council on the advice of Audit **and Risk Assurance** Committee.

The Committee asked for the Terms of Reference to be updated to remove references to HEFCE.

1439 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 13th June 2018 (Paper A18/19-005) were approved as a correct record and signed by the Chair.

1440 MATTER ARISING

- 1 Minute 1431, Three Year Audit Strategy 2018-2021 and Annual Plan 2018/19

It was noted that IAAPS (Institute of Advanced Automotive Propulsion Systems) and the IoC (Institute of Coding) had been incorporated into the annual plan. The Head of Internal Audit noted that he was giving consideration to whether the Department had the right expertise to audit IAAPS and the IoC or whether an outside consultancy should be engaged.

1441 ANNUAL REPORT OF THE AUDIT COMMITTEE

The Committee considered the Annual Report of the Audit and Risk Assurance Committee for the year ended 31st July 2018 (Paper A18/19-006).

It was noted that the underlined text of the report would be updated following consideration of the External Auditors' Management Report and Highlights Memorandum.

The Committee requested that date references to previous academic year periods be checked and asked whether customer satisfaction surveys had been undertaken. The Head of Internal Audit reported that the practice had lapsed because insufficient feedback had been collected to provide representative opinions. He was encouraged to reinstate the practice of requesting feedback.

HoIA

The report will be re-presented to the Committee at the November meeting for final approval and subsequent submission to Council.

1442 INTERNAL AUDIT ANNUAL REPORT

The Committee considered the Annual Report of the Internal Audit Department for the year ended 31st July 2018 (Paper A18/19-007).

The Head of Internal Audit drew attention to audit opinions that there are adequate and effective arrangements in place for the University to promote and pursue Value for Money (paragraph 10), that the systems in operation provide for adequate and effective arrangements of risk management, control and governance (paragraph 18), and that the arrangements for the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, the Office for Students and other bodies are adequate and effective (paragraph 22).

With regard to paragraph 33 and reference to an average daily cost for the Internal Audit Department of £303, the Head of Internal Audit reported that this was different from the previously reported figure of £294 (Minute 1420 (4) of 13 June 2018 refers) because of different periods covered, the figure of £294 reflecting the previous two years' annual report figures. Mr Stanton was asked to ensure that an average daily cost figure was subject to a consistent methodology for calculation and comparison with other HEIs.

HoIA

The Head of Internal Audit reported that all the audit work had been completed, with all reports written of which five were currently in draft pending confirmation of management actions and one was being finalised.

It was noted that the Internal Audit Report and the Annual Report of the Audit Committee would be submitted together to Council in November and subsequently to the Office for Students.

1443 STATUS REPORT ON OPEN AUDIT POINTS

The Committee considered the position of open audit points as at September 2018 (Paper A18/19-008). It was noted that 34 audit points had been closed since the April meeting. There were currently 51 audit points remaining open of which 31 were overdue.

In response to a question on Estates Maintenance, the Director of Finance explained the process for obtaining a cost estimate for significant items and projects and the expectation that this would be improved with implementation of a future phase of the CAFM (computer-aided facility management) system. It was noted that resource issues and computer system implementation timings were common reasons for audit points being overdue and that this should be monitored.

1444 STATUS REPORT ON INTERNAL AUDITS

The Committee considered a report on audits in the 2017/18 programme (Paper A18/19-009). It was noted that it had not been possible to finalise five reports in time for this first meeting of the year but they would be submitted to the November meeting where available.

Within the context of the IT Disaster Recovery audit, it was noted that the Digital Strategy (Minute 1436 above) would impact the GDPR arrangements.

1445 INTERNAL AUDIT REPORT 18-2016/17: ASBESTOS MANAGEMENT

The Committee received Internal Audit Report 18-2016/17: Asbestos Management (Paper A18/19-010).

It was noted that the University's arrangements for managing the risks related to asbestos management are reasonably effective.

1446 INTERNAL AUDIT REPORT 09-2017/18: NOMINAL LEDGER AND BUDGETARY CONTROL

The Committee received Internal Audit Report 09-2017/18: Nominal Ledger and Budgetary Control (Paper A18/19-011).

It was noted that the University's arrangements for managing the risks related to the nominal ledger and budgetary control are effective. In response to a question, the Director of Finance reported that the Head of Management Accounting would review any overspend of budgets with Departments and refer to the University Executive Board as necessary.

1447 INTERNAL AUDIT REPORT 11-2017/18: RESEARCH GRANTS POST AWARD

The Committee received Internal Audit Report 11-2017/18: Research Grants Post Award (Paper A18/19-012).

It was noted that the University's arrangements for managing the risks related to Research Projects post-award are reasonably effective.

The Head of Internal Audit explained that the primary recommendation was for clarity on the roles and responsibilities of individuals and teams concerned with administering projects. A second management action was for improvement of the mechanism for completing and collating timesheets. Given the financial risk to the institution of missing, incomplete or inaccurate timesheets, the behavioural issues needed to be addressed.

1448 **INTERNAL AUDIT REPORT 12-2017/18: DATA QUALITY (HE-BCI)**

The Committee received Internal Audit Report 12-2017/18: Data Quality (HE-BCI) (Paper A18/19-013).

It was noted that the University's arrangements for managing the risks relating to the preparation of the HE-BCI return are reasonably effective.

1449 **INTERNAL AUDIT REPORT 13-2017/18: TREASURY MANAGEMENT**

The Committee received Internal Audit Report 13-2017/18: Treasury Management (Paper A18/19-014).

It was noted that the University's arrangements for managing the risks related to Treasury Management are effective.

1450 **INTERNAL AUDIT REPORT 16-2017/18: INSTITUTE OF CODING**

The Committee received Internal Audit Report 16-2017/18: Institute of Coding (Paper A18/19-015).

It was noted that the University's arrangements for managing the risks related to the Institute of Coding grant award are reasonably effective. It was noted that the IoC Governance Board would be responsible for monitoring and managing risks associated with the project.

1451 **INTERNAL AUDIT REPORT 17-2017/18: CRC ANNUAL REPORT**

The Committee received Internal Audit Report 17-2017/18: CRC Annual Report (Paper A18/19-016).

It was noted that the University's arrangements for compiling and submitting emissions data for CRC purposes are effective.

1452 **GENERAL OBSERVATIONS**

The Committee made some general observations relating to areas audited and the risk management process as follows:

- 1 The internal audit reports were all recognised to be of a very high standard and well presented. It was noted that effort was directed at making them short and concise.

- 2 There should be a clear timeframe and process for post-investment review. The post-investment review of significant projects was considered important to the business of the Audit and Risk Assurance Committee. The Director of Finance commented that the Internal Audit Review of Capital Projects which was in the process of being completed had a recommendation on post-investment appraisal and that this would be presented to the next meeting.
- 3 It was requested that review of projects undertaken in the past 4 years, such as the Institute of Policy Research, Chancellor's Building etc, should give an insight into whether the University was making sound decisions, had anticipated the risks involved and delivered on the objectives, and as a way of learning from any failure to do so.

1453 AUDIT PROGRAMME

The Committee received the Internal Audit Strategy for the period 2018-21 and the Annual Audit Plan for 2018-19 (Paper A18/19-017).

The Committee noted that a number of strategies were included in the Audit Plan for 2018/19 and considered that the delivery of each strategy should be benchmarked against a set of KPIs for a clearer indication of success or failure. It was reported that Council received high level metrics to review performance of the institution against a competitor group. The Acting Vice-Chancellor undertook to discuss with the Chair of the Council Effectiveness Review Steering Group possible improvements to reporting in terms of the metrics used, explanatory text and frequency of reports.

Acting VC

AGREED to approve the three-year audit programme for 2018-21 and annual plan for 2018-19.

Dr Nicky Kemp, Director of Policy and Planning, joined the meeting to present the items of business reported in minutes 1453 and 1454.

1454 ASSURANCE CONTROLS FOR ANNUAL ACCOUNTABILITY AND DATA RETURNS 2017/18

The Committee considered a paper setting out assurance controls for statutory data returns in the academic year 2017/18 (Paper A18/19-018).

The Director of Policy and Planning explained that as soon as guidance from the Office for Students was released, the University ensured processes were in place for compliance. She noted that Paper 018 covered the elements of the Annual Accountability Return that were expected to be retained by OfS, having been developed by HEFCE, but noted that other elements might need to be added to the table as further guidance was received from the OfS. For example, the OfS had recently added a report on the Prevent duty to the annual Accountability Return.

Referring to the new Graduate Outcomes survey, replacing the Destinations of Leavers from HE (DLHE) survey, Dr Kemp reported that the University was responsible for collecting, maintaining and returning to HESA accurate and comprehensive contact details for all of the graduates falling into the target population. The implementation of the new Graduate Outcomes survey meant that the University would benefit from the favourable statistics, arising from the last DLHE survey for longer. These statistics indicated that a very high proportion of Bath graduates had graduate professional and managerial level employment after six months and that the average salary of a Bath graduate was higher than the sector average. Consequently, these statistics would benefit the University in terms of promotional material and league tables for longer than usual because of the transition to the Graduate Outcomes survey.

1455 RISK REPORTS

The Director of Policy and Planning introduced the Risk Register 2018/19 and Annual Report on Risk Management 2017/18 (Paper A18/19-019) and the Tabulation of Assurance Activities (Paper A18/19-020) setting out some of the assurance information available to the University which informed the view of risk presented in the Risk Register. It was noted that Council had reviewed and approved the Risk Register and Annual Report on Risk Management at the July meeting.

In response to a question on the process for reviewing the Risk Register, Dr Kemp reported that the format of the Risk Register had been designed to comply with the HEFCE guidance on good practice and that the University's approach to risk management had been considered during the periodic HEFCE Assurance Reviews. However, in the light of the Committee's new remit as the Audit and Risk Assurance Committee, members considered that the regular risk management reports and the draft Risk Register should come first to this Committee for recommendation to Council.

Dr Kemp noted that the last report to Council had addressed the enhancements proposed in Table 19 of the Halpin Review Report: Opportunities to Improve Risk Management Practice. The first point – Risks identified as the top risks should be the risks to the achievement of strategic objectives, reflected current practice in that the Risk Register was developed when the University Strategy was refreshed. The former Audit Committee had contributed to the development of the Risk Register's new format which presented three perspectives on each key risk - performance, sustainability and compliance (Minute 1259 of 20 April 2016 refers). The University Council then monitored the risks identified. It monitored emerging new risks through the risk management progress reports received at each of its meetings.

Table 19 also recommended a risk approach that considered more explicitly emerging risk; for example, risks that were not on the Risk Register but were growing in importance and might soon become top risks.

In response to a question about IAAPS and IoC not appearing specifically on the Risk Register, the Director of Policy and Planning reported that risks described in the Risk Register were all articulated at a high level to accommodate the requirement in the current Risk Management Strategy that Council receive a report on all the key risks at each of its meetings. In response to the request that these reports went to Council via the Audit and Risk Assurance Committee, the Director of Policy and Planning undertook to propose appropriate changes to the Risk Management Strategy to the University Executive Board for consideration. The Executive Board had taken over responsibility from the Executive Committee for monitoring any live risk issues. The Audit and Risk Assurance Committee considered that its role should be to contribute to the process in the University for capturing emerging risks, reviewing them and ensuring controls and mitigating actions were in place. To this end, the Director of Policy and Planning undertook to bring as a standing item for the agenda, the risk management progress reports that capture more topical risks.

The Head of Internal Audit noted that this would complement the current biannual risk presentations in January and April.

Dr Kemp was thanked for attending the meeting to present the paper on assurance controls for statutory data returns and the risk reports.

1456 PUBLIC INTEREST DISCLOSURE POLICY AND PROCEDURE

The Committee noted that the Public Interest Disclosure (Whistleblowing) Policy and Procedure had been amended. An annual report would be made to the Committee at the November meeting of any cases brought under the Policy or a nil return as appropriate. The annual report on Fraud would also be submitted to the November meeting.

The Committee considered that it would be appropriate for it to consider revisions and updates to the Whistleblowing Policy and Procedure or any other such policy where it had a role in ensuring a robust framework prior to Council review.

1457 TRAINING EVENTS FOR AUDIT COMMITTEE MEMBERS

The Committee noted seminars being run by BDO as follows:
 Tuesday 10 October 2018 (Manchester)
 Wednesday 8 May 2019 (Birmingham)
 Wednesday 15 May 2019 (London)

and information available via PwC's HE Matters bulletin and on the following websites: <https://www.lfhe.ac.uk/> and <http://www.kpmg.co.uk/aci/>

1458 DATES OF MEETINGS 2018/19

Tuesday 13 November 2018 at 11 am
 Wednesday 23 January 2019 at 11 am

Wednesday 3 April 2019 at 11 am
Wednesday 12 June 2019 at 11 am

Meetings are held in the 4 West Board Room with the exception of the meeting on Tuesday 13 November which will be held in 4 West 3.25.

1459 **ANY OTHER BUSINESS**

(1) Programme of Risk Presentations

The Chair reported that Professor Peter Lambert, Pro-Vice-Chancellor (Learning and Teaching), and Mr Anthony Payne, Director of Student Services, would give a risk presentation at the January meeting. The Committee accepted Dr Ellis' proposal that a PwC specialist speaker give a short presentation on IT/Cyber-Security issues at the January meeting.

It was agreed to invite Professor Jeremy Bradshaw, Pro-Vice-Chancellor (International and Doctoral), to give a risk presentation at the April meeting. It was noted that the Higher Education Post-18 Education and Funding Review report was likely to be available for consideration by the June meeting and the Director of Finance might give an update on financial risk management.

(2) Related parties disclosure

The Deputy Director of Finance reported that all members who had served on Audit Committee during the period 01/08/17 to 29/11/18 would be asked to complete a declaration concerning related party transactions.

The meeting concluded at 1.25 pm
