
Meeting: **AUDIT AND RISK ASSURANCE COMMITTEE**

Date and time: **Wednesday 29 January 2020 at 11 am**

Venue: **4 West Board Room**

Present: Mr T Ford (Chair)
Mr S O'Donoghue * Appointed Member
Mrs C Gibbons Lay member of Council
Mrs C Moar Lay member of Council
Professor D Griffiths Lay member of Council

Dr M Ellis, Partner, PwC, attended the meeting by invitation for the business recorded in Minutes 1555 to 1570

In attendance: Professor I White Vice-Chancellor
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: Mr A Bayliss Appointed member

* Mr S O'Donoghue was present by skype connection for the business recorded in Minutes 1557 to 1561. The connection being poor, he withdrew from the meeting early.

ACTION

1555 CHAIR'S PRELIMINARY COMMENTS AND WELCOME

The Chair welcomed Professor Dot Griffiths to her first meeting. Professor Griffiths introduced herself to the Committee, reporting that she is an alumna of the University and had held at Imperial College the posts of Dean of the Business School and Provost's Envoy for Gender Equality.

1556 DECLARATIONS OF INTEREST

No declarations of interest were advised.

1557 RISK PRESENTATION (RESEARCH)

Professor Jonathan Knight, PVC Research, attended the meeting for the business recorded in Minutes 1557 and 1558.

Professor Knight noted that he had last given a presentation to ARAC in 2016. He considered that the University confronted a range of risks relating to REF 2021 (Research Excellence Framework), funding through quality related (QR) income and ratings in league table rankings. The biggest risk would be a failure to realise new strategies for the conduct of research and for attracting staff and students. The research environment was evolving rapidly and most recently UKRI (UK Research and Innovation) had announced the end of Pathways to Impact - for demonstrating the impact of research - and had significantly increased funding to mathematical sciences.

The sustainability of research at the University was, for senior academic staff who had significant management responsibilities, contingent on availability of time. The workload of staff needed to be monitored to ensure capacity to conduct research that would be useful to the institution. In terms of resourcing, it was recognised that projects such as IAAPS (propulsion system research) were resource intensive at start-up but also of such critical importance that the short/medium term commitment had to be balanced against the imperative of a successful outcome. The model of allocating QR funding across the University now needed further review to optimise the distribution methodology for a sustainable future.

Professor Knight reported that the ethical and governance framework for research also needed to evolve in line with higher expectations for the management of research. The profile of the research being undertaken was changing and new areas such as AI (Artificial Intelligence) were emerging along with greater inter-disciplinarity.

As priorities for attention, Professor Knight drew attention to:

- Shaping the research base, by ensuring strengths to position the University optimally for the REF 2021 outcomes and then developing a longer term strategy for key areas of research to achieve critical mass and excellence of output. The new generation of researchers had arrived with enthusiasm and ambition and should be empowered to seize opportunities. However, resourcing selected areas of research would impact other research themes, though these might still continue to be relevant to meet the needs of students.
- Developing a better research ethics and integrity framework to meet any new requirements of the updated Concordat for Research Integrity.
- Balancing resources expended on research against income achieved to ensure the sustainability of research.

In discussion, it was noted that there was evidence to show that students wanted to be in an institution where research was strong and their programmes brought them into close contact with research activity. Academic staff wanted to bid for large funding grants and careful consideration needed to be given to creating the teams to capture and deliver on such awards.

It was acknowledged that the University would derive reputational and league table benefits from improving its citation metrics. The efficient management of space and facilities had potential for further enhancing research output.

In response to a question about adequate representation of academic interests on Senate to achieve change, the Vice-Chancellor reported on the effectiveness review of Senate and the need to review both governance and leadership for research activity. The Vice-Chancellor also noted the importance of reflecting on the submissions made in the course of the Our University, Our Future discussions.

Professor Knight was thanked for his presentation. It was agreed that there should be a more frequent update to the Committee on the research agenda, with a report subsequent to the development of the University Strategy on resource for research and risks relating to the workforce.

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1558 TRAC RETURNS

The Committee received the TRAC Returns for 2019 (Paper A19/20 - 036). The Director of Finance noted a declining cost recovery on research grants. The cost recovery level for teaching was higher than research but showing a reduction on last year. Since last year, the University had the benefit of the course costing system to monitor activity. The TRAC Steering Group, chaired by the Vice-President (Implementation), had reviewed the returns for compliance with the TRAC requirements. The TRAC Returns had also been submitted to the University Executive Board. The audit work would be undertaken post-submission of the TRAC Report and Returns to the OfS (Office for Students) and the audit report would come to the April or June meeting of ARAC.

A member of the Committee asked how the effective and efficient deployment of resources was monitored. The Director of Finance reported that the course costing tool could pick up on trends and better data around space management would improve its use. However, it was noted that there needed to be close scrutiny of the marginal costs of research and the extent to which the University was supporting academic 'own account' research and postgraduate research. The University's strategy could be to grow non-regulated fee student numbers and to concentrate research in selected areas.

AGREED that the process for reviewing the report and returns did enable the Committee to recommend to the Vice-Chancellor that he could derive the necessary reassurance to allow him to sign off the TRAC return and TRAC (T) return and submit them to the OfS by the requisite deadlines (31 January 2020 for the TRAC return and 28 February 2020 for the TRAC for Teaching return).

1559 MINUTES OF PREVIOUS MEETING

The minutes of the meetings held on 2 October and 21 November 2019 (Papers A19/20 - 037 and 038) were approved as a correct record and signed by the Chair.

1560 MATTERS ARISING

(1) Minute 1521: Membership and Terms of Reference

The Committee noted that that Council had approved amendments to its Terms of Reference at the meeting of 24 October 2019 (Council Minute 7075 refers).

(2) Minute 1530: Audit Report 09-2018/19 REF Preparation

The Committee received an update from the Head of Internal Audit on the issue of staff resource in the Library for reporting compliance against open access requirements. It was noted that the Library had received approval for additional resource to the end of the REF period.

(3) Minute 1542: Audit Report 15-2018/19 Workforce Strategy

The Committee noted that a Workforce Strategy session for Council members would be scheduled towards the year-end or early next academic year, when Council had had an opportunity to discuss the University Strategy.

(4) Minute 1543: Annual Report and Accounts for the University of Bath and External Auditor's ISA 260 Report 2018/19

The Committee noted that Council had approved at its meeting of 28 November 2019 the Annual Report and Accounts of the University (Council Minute 7095 refers).

(5) Minute 1544, Annual Reports of the Audit and Risk Assurance Committee and Internal Audit Department

The Committee noted that Council had approved at its meeting of 28 November 2019 the Annual Reports of the Audit and Risk Assurance Committee and the Internal Audit Department. The Annual Report and Accounts, Annual Report of the Audit and Risk Assurance Committee and Annual Report of the Internal Audit Department form part of the Annual Accountability Return to the Office for Students (OfS) (Council Minute 7079 refers).

1561 STANDING ITEMS OF BUSINESS

(1) Governance Updates

The Committee noted consultations relating to the Higher Education Code of Governance – 13 January to 13 March 2020:

<https://www.universitychairs.ac.uk/consultation-on-the-higher-education-code-of-governance/> and harassment and sexual

misconduct in HE – 9 January to 27 March 2020:

<https://www.officeforstudents.org.uk/publications/consultation-on-harassment-and-sexual-misconduct/>

(2) Programme of Work

The Committee received the Programme of Work for the next 12 months (Paper A 19/20 – 040). A member of the Committee asked that the April items of business should include discussion of the risks associated with revaluation of land and buildings (Minute 1543 refers) and suggested an update on pensions would also be relevant.

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(3) Vice-Chancellor's Update

The Vice-Chancellor drew attention to the following:

- There was on-going work to ensure the welfare of staff and students post-Brexit, with particular attention being paid to such areas as the funding arrangements for EU student and the ERASMUS programme
- An international staff forum was being established
- The OfS had indicated a reduction in funding for 2021/21 which is likely to reduce the University's recurrent funding grant by 5%
- There was a risk of further strike action and work continued to meet with Union representatives and a Pensions Working Group had been set up. The concerns regarding casualisation, workload and gender pay gap were recognised and work on these issues had progressed locally.
- A space condition register would inform expenditure forecasts for maintaining or upgrading buildings. Work on 3 West had gone well with minimal impact on the building's occupants.
- A Western Power notice of an imminent power cut at the John Wood building had resulted in swift and effective action by Estates and Accommodation services to install power generators to continue the power supply to occupants of the building.
- The issue of harassment affecting doctoral students as highlighted by the University Independent Advisor was being addressed and the disciplinary procedures were being reviewed.
- Action was being taken to protect the wider community from the corona virus by requesting individuals to respect quarantine measures if they had returned from China.
- The Climate Action Framework was progressing and a lot of interest had been shown in the workshops held in the Guildhall.

(4) Internal and External Incidents

It was noted that there had not been any reportable incidents or matters of specific concern or learning, other than those covered elsewhere on the agenda.

1562 CYBER-SECURITY PRESENTATION SLIDES

Professor Steve Egan, Vice-President (Implementation), Ms Alex Butler, Chief Digital and Information Officer, Dr Roger Jardine, Deputy Director (Technology) and Mr Mark Acres, IT Security Manager, attended for the business recorded in Minutes 1562 and 1563.

The slides of the presentation to the University Executive Board on Cyber-Security (Paper A 19/20 – 041) were noted.

1563 DATA SECURITY INCIDENT REPORT

The Committee received a report on two data security incidents and actions arising, along with a copy of a letter from the Information Commissioner's Office confirming no formal enforcement action would be taken by it (Paper A 19/20 – 042).

The Committee noted information and reports on cyber-security and related areas received since the 2017/18 academic year:

Internal Audit Reports: 13-2015/16 Internal Audit report on Cyber-security (04/10/2017 ARAC meeting), 15-2016/17 Cloud-based services (04/10/2017 ARAC meeting), 14-2017/18 IT Disaster Recovery (13/11/2018 meeting), 5-2017/18 Implementation GDPR legislation (22/01/20 meeting) and 5-2018/19 Business Continuity (12/06/2019 meeting).

Papers and updates: Since 2017/18 academic year, the following ARAC updates have been provided in addition to the papers on open audit points and risk management: update Cyber-security paper (A17/18-025) and attendance at meeting on 24/01/2018 of Professor S Egan, Dr Jardine and Mr Roberts along with report on General Data Protection Regulation by Mr D Jolly; update Cyber-security paper (A17/18-041) to ARAC meeting of 18/04/2018; update Cyber-security paper (A17/18-052) to ARAC meeting of 13/06/2018; update Cyber-security papers (A18/19-001 and 002) and attendance at meeting of 03/10/18 of Professor S Egan, Ms A Butler, Dr R Jardine and Mr G Roberts; Risk management presentation: IT and Digital Capabilities (Paper A18/19 – 040) and attendance at meeting of 03/04/19 Professor S Egan, Ms A Butler and Dr R Jardine; and data security incidents and cyber-security update paper (A19/20 – 042) to ARAC meeting of 29/01/20 and attendance at meeting of Professor S Egan, Ms A Butler and Dr R Jardine.

External Presentation: PwC Cyber and Cloud Security presentation by Mr Rhodri Evans, Cyber Security Senior Manager, PwC (meeting of 03/04/19); and slides of Cyber-security Executive Board Briefing (meeting of 29/01/20), a presentation given to the University Executive Board by Mr Bill McCluggage, Head of Information Security & Assurance, UK Open Banking Programme.

Ms Butler introduced Paper 042 outlining the nature of the incidents, the report to the Information Commissioner and the remedial measures put in place. She noted that the data security issue with the Tier 4 monitoring app had highlighted the need to ensure robust protocols and permissions when a new service is developed, potentially meaning amendment of the timeline on delivery to ensure a secure environment. In both cases, Ms Butler reported that action had been taken quickly and robustly.

She drew attention to recommendations arising from the incidents, particularly making sure that mandatory training was completed. Going forward, greater use would be encouraged of the Office 365 tools for sharing information. Her team were looking at ways to make training

more attractive and accessible to audiences. Alongside this, the team were reviewing good practice routines including potentially disabling the forward tab for emails. The intention would be to prompt due reflection as to recipient and purpose before forwarding information. Some test scenarios would also be launched to benchmark the University's response to serious incidents. The Digital Strategy would incorporate full action plans in the event of incidents.

Mr Acres explained some of the encryption models and challenges around sending personal data. He reported that threat intelligence was shared among universities and it was noted that the Information Commissioner's website included reports of incidents in HEIs against which the University's systems could be reviewed.

A member of the Committee noted that the Operational Risk Register indicated that the risks associated with information and cyber security carried a high gross risk (16) based on impact and likelihood of incident assessed at 4. She asked where on the scale of risk and mitigation Ms Butler considered these sat; the Chief Digital and Information Officer noted that the team were working hard to reduce the risks and that there was good compliance with training for staff within professional services with direct responsibility for managing personal data. However, there were still some staff groups where training needed to be encouraged and Mr Acres reported that a meeting was scheduled with the Director of HR to ensure the necessary compliance.

Ms Butler stated that progress and improvements had to be matched to the pace of the institution's ability to adopt new processes; but enhancements to the digital infrastructure should facilitate engagement with it. There was also a message to convey to the community around better procedures leading to better outputs whether that be in terms of research, teaching or other. Professor Egan noted that it was important to articulate the opportunities of digital transformation as well as the penalties of non-compliance with regulation. When challenged about the most significant risks, he noted that whilst improvements had continued to ensure overall systems resilience, there were areas of expertise with a high reliance on key individuals representing a potential risk to business continuity.

Professor Steve Egan, Ms Alex Butler, Dr Roger Jardine and Mr Mark Acres were thanked for attending.

1564 STATUS REPORT ON AUDIT POINTS

The Committee received an open audit points status summary as at January 2020 (Paper A19/20 - 043).

The Head of Internal Audit reported that there had been good progress with addressing open audit points since the October meeting. Twenty had been closed, leaving nineteen overdue as at 21 January. The two most significant overdue points related to asbestos management and business continuity where progress with addressing audit points had slipped resulting in the need to revise target dates.

The Vice-Chancellor noted that business continuity had been discussed at UEB the previous day and consideration was being given to assignment of this area of responsibility in the future. It had been agreed that a tiered model (gold, silver and bronze) would differentiate better the level of response required in any situation, with most issues being managed at bronze level before escalation upwards. However, it had to be recognised that there was a requirement by many government and other bodies that there should be a single point of contact.

1565 STATUS REPORT ON INTERNAL AUDITS

The Committee received a report on the progress of audits included in the 2019/20 programme (Paper A19/20 - 044).

1566 INTERNAL AUDIT REPORT 16-2018/19: PGT RECRUITMENT

The Committee received Internal Audit Report 16-2018/19: PGT Recruitment (Paper A19/20 - 045). It was noted that the University's arrangements for managing the risks related to PGT recruitment were reasonably effective. The University was getting better at using the information from the CRM (Applicant Customer Relationship Management) system. The A graded point related to a decline in suitable applicants from the Chinese market but interest from India had significantly increased (and in fact undergraduate applications from India have increased by 42% in the current year).

A member of the Committee asked about the cost effectiveness of student recruitment where course cohorts were very small. The Vice-Chancellor noted that this was a concern and the Deputy Vice-Chancellor was keen to encourage the closure of Masters courses where these were no longer sufficiently viable. The University was also aware of the need to offer new Masters courses to attract students and maintain numbers.

1567 INTERNAL AUDIT REPORT 18-2018/19: DOCTORAL COLLEGE

The Committee received Internal Audit Report 18-2018/19: Doctoral College (Paper A19/20 - 046).

It was noted that the University's arrangements for managing the risks related to the Doctoral College were reasonably effective. The Head of Internal Audit reported that there were two A grade points. The first related to development of the Doctoral Strategy and subsequent development of operating plans. The second related to issues concerning the supervisor / student relationship. In this regard, there was a need for improved clarity over the expectations relating to doctoral supervision and student experience. The Doctoral Strategy would inform KPIs (Key Performance Indicators) for the recruitment strategy.

A member of the Committee queried whether the C grade for the review of the stages of progression should be higher given that weak postgraduate students drained resources financially and otherwise.

Whilst the concerns were recognised regarding stages of progression, the grading of the audit point was not changed.

One area that had not been considered within the scope of the audit was the funding of students and, in particular, the level of funding by the University. It was agreed that the Committee should receive further information on the extent to which the University was funding doctoral students and postdoctoral fellows. It was noted that the better route, where possible, was to establish CDTs (Centres for Doctoral Training) as part of research grant funding.

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1568 ANNUAL PROCUREMENT VALUE FOR MONEY REPORT

The Committee received the Annual Procurement Value for Money Report 2018-2019 (Paper A 19/20 - 047).

The Director of Finance reported that the report had been prepared using the HE Procurement Association Benefits Reporting Methodology to calculate the cashable and non-cashable efficiencies generated from the procurement activity. Comments made at the previous year's meeting had been incorporated: within Section 17 were examples of procurement projects and initiatives and within Section 18 were procurement KPIs. Section 16 indicated in the summary of savings that £14,859,000 had been saved, representing 13.8% of the total impactable spend and an increase of £7.9 m compared to 2017-18. The increase was attributable to two major projects – the construction and equipping of the new IAAPS facility and the construction of the new School of Management building.

He noted that the University made significant use of e-marketplace with large numbers of clients but that this had now reached a point where the incremental cost of set-up with suppliers might outweigh the benefit.

1569 PAYMENT RECOVERY AUDIT

The Committee received the Payment Recovery Audit Report for the period April 2013 to July 2018 (Paper A 19/20 - 048).

The Director of Finance explained that the University had used an external firm, Meridian Cost Benefit Ltd, to undertake a payments audit. This had confirmed that adequate controls were in place for processing payments when compared with the results of other clients. The recoveries amount achieved had exceeded £61,000.

A member of the Committee noted the benefits of this type of economy/efficiency/effectiveness review and asked about application to other areas of business. The Director of Finance responded that in some contexts it would be necessary to define what these terms meant but there was scope for improvements across a number of areas. It was agreed that metrics provided a necessary base from which to assess productivity and performance.

1570 **RISK MANAGEMENT PROGRESS REPORT FROM EXECUTIVE BOARD**

Dr Nicky Kemp, Director of Policy, Planning and Compliance, attended for the business recorded in Minute 1570.

The Committee considered the Risk Management Progress Report (Paper A 19/20 – 049).

Dr Kemp reported on increased strategic risk in relation to compliance associated with Student Recruitment and Access arising from (1) the challenges that the University has been facing with the implementation of enhanced attendance monitoring for UKVI purposes; (2) the challenges that the University will face in delivering APP (Access and Participation Plan) targets; (3) indications that the OfS would be issuing its own guidance on student rights to supplement the guidance issued by CMA (Competition and Markets Authority).

With regard to the operational risk, there was increased risk around (1) reduction in the unit of resource per student; (2) under-resourcing of Curriculum Transformation; (3) lack of an affordable LTM (Long Term Maintenance) Plan because the Condition Survey had not been completed; (4) a new short term operational risk relating to information security training. The medium term risk of failing to deliver major capital projects on time had been moved to a short term risk to reflect the approaching handover date for the School of Management building. The risks had decreased in relation to the bus service and failure of the electrical supply or roofs of 3 West / 5 West. A major project to enhance the electrical power supply to 3 West had been successfully completed over the Christmas vacation period.

The Committee noted that Information Security training and the business continuity framework presently represented risks sitting above the risk tolerance threshold. A data breach had been discussed earlier in the meeting (Minute 1563 refers). With regard to the business continuity framework, the University had established a Standing Group to tackle risk associated with previous under-investment in development of business continuity processes but it had not been able to make progress as intended before Christmas.

Dr Kemp noted that there would be greater agility of response with the creation by University Executive Board of the Gold/Silver/Bronze framework for managing emergencies. She noted that response teams were tailored to the situation (eg Corona Virus Silver team) but that consideration would be given to establishing core membership with recourse to wider expertise appropriate to the circumstances. The costs of an external Emergency Management Call Centre were being explored.

Referring to Widening Participation, a member of the Committee noted the challenges and issues for under-represented groups associated with STEM subjects. The Vice-Chancellor reported that this would be discussed at Council in February.

AGREED to

- (1) approve the new assessment of the likelihood and impact of the key strategic risks to the University and
- (2) note the proposed changes to the Operational Risk Register
- (3) provide a report to Council.

The Director of Policy, Planning and Compliance was thanked for her report.

1571 EXTERNAL AUDIT: ANNUAL PERFORMANCE ASSESSMENT AND ADDITIONAL SERVICES REPORT

The External Auditor withdrew from the meeting prior to discussion of this item of business. The Committee received an assessment of PwC's performance with regard to the 2018/19 audit and report confirming that no additional non-audit services had been provided by the External Auditor (Paper A19/20 - 050).

The Deputy Director of Finance reported that the audit had been conducted effectively with a well led and organised team and appropriate resourcing. In line with the report, it was RECOMMENDED to Council that PwC continue as the University's External Auditor for the 2019/20 audit.

The Committee considered the performance and value for money of the external audit service, and asked that a report from the External Auditor should be added to the Standing Items of Business for each meeting so that Dr Ellis had the opportunity to bring to the attention of ARAC perspectives from across the HE Sector and any learning points for the University.

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1572 DATES OF MEETINGS

The Committee noted the programme of meetings for the remainder of 2019/20:

Wednesday 1 April 2020 at 11 am

Wednesday 10 June 2020 at 11 am

Both meetings will be held in the 4 West Board Room.

The Chair reported that Professor Jeremy Bradshaw, PVC (International and Doctoral) would give a risk presentation at the next meeting in April. He noted that the Committee would also undertake its effectiveness review. Further to previous discussion, he proposed that members and officers complete the PwC toolkit questions by the end of February. Profile updates would also be requested, and he would speak to each member before the self-assessment report was compiled.

The meeting concluded at 2.10 pm
