
Meeting: **AUDIT AND RISK ASSURANCE COMMITTEE**

Date and Time: **Thursday 1 October 2020 at 11 am**

Venue: **Virtual via Zoom**

Present:

Mr Tim Ford	Chair
Mr Alex Bayliss	Appointed member
Professor Dot Griffiths *	Lay member of Council
Mr David Hardy	Lay member of Council
Mrs Charlotte Moar	Lay member of Council
Mr Steve O'Donoghue	Appointed member

In attendance:

Mr Jonathan Bound	PwC
Mr Simon Fenne	Deputy Director of Finance
Mr Tom Stanton	Head of Internal Audit
Professor Ian White	Vice-Chancellor and President
Mr Martin Williams	Director of Finance
Mr Keith Zimmerman **	Chief Operating Officer

* Present for the business recorded in minutes 1603 to 1624

** Present for the business recorded in minutes 1606 to 1624

Attendance for specific items of business only:

Dr Nicky Kemp for Minutes 1615 – 1621	Director of Policy, Planning and Compliance
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Secretariat:

Mrs Emily Commander *	Head of Strategic Governance
Ms Clare Henderson	Secretary

* Present for the business recorded in minutes 1611 (1.2) to 1624

1603 WELCOME AND QUORUM

The Chair welcomed members of the Committee and, in particular, Mr David Hardy who was attending his first meeting. The Chair confirmed that the meeting was quorate.

1604 DECLARATIONS OF INTEREST

No declarations of interest were made.

1605 CUC PUBLICATIONS

The Committee **noted** the following CUC publications:

- HE Code of Governance, published in September 2020 (Paper A20/21 – 001)
- HE Audit Committees Code of Practice, published in May 2020 (Paper A20/21 – 002).

The Chair noted that the guidance represented a set of minimum requirements and the University might identify and follow best practice that went beyond the provisions of the Codes. The documents were brought to the Committee's attention because they are compliance related and there is an expectation, including by the Office for Students, of comply or explain.

In response to a question about mapping ARAC compliance against the guidance, the Chair noted that some work had been undertaken in order to inform amendments to Terms of Reference.

1606 MEMBERSHIP, TERMS OF REFERENCE AND STANDING ORDERS

The Committee **noted**:

- Membership for 2020/21 (Paper A20/21 – 003)
- Roles of Finance Committee and ARAC in respect of strategic financial planning (Paper A20/21 – 004).

The Director of Finance was asked to consider an amendment to the revised Term of Reference of Finance Committee. **DoF**

The Committee **considered**:

- Amendments to Terms of Reference (Paper A20/21 – 005)
- Set of Standing Orders for ARAC (Paper A20/21 – 006).

Further proposals were put forward for mapping more closely the Committee's responsibilities to the CUC Audit Committees Code of Practice and to the Scheme of Delegation, clarifying its role of approval/assurance for internal audit arrangements and re-ordering some terms of

reference within other / in new sections.

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Further to Committee approval of the amendments proposed, it was:

- **agreed to recommend to Council** for approval of the Terms of Reference and Standing Orders.

1607 COUNCIL SCHEME OF DELEGATION

The Committee considered amendments to the Scheme of Delegation (Paper A20/21 – 007).

The Committee welcomed the new format and suggested further amendments related to:

1. authorisation for opening and closing bank accounts
2. review of bequests to the University

The Committee noted that the Scheme did not include any reference to an authority for agreeing new policies or appointing budget-holders. However, it was noted that the Scheme related to governance rather than operational responsibilities. It was proposed that a table be developed to show clearly who can agree new policies and where oversight lies.

DoPP&C

The Committee considered that future work on the Scheme might review the extent to which delegated responsibilities could be further devolved.

The Committee:

- **approved** the new format and scope of the Scheme of Delegation
- **approved** the proposed amendments to the existing Scheme, the amendments noted above and resolution of some inconsistencies
- **agreed to recommend** the Scheme to Council
- **agreed** to review the updated Scheme on an annual basis.

1608 INTERNAL AUDIT DEPARTMENT TERMS OF REFERENCE

The Committee **noted** an amendment to the Terms of Reference set out in paragraph 8 of Paper A20/21 -007.

It was proposed that consideration be given to the following:

- articulating some key areas that might form part of the Internal Audit Department's appraisal of 'the University of Bath's activities', such as climate change or ESG (Environmental, Social and corporate Governance) impact. Academic activity might similarly be highlighted as a significant area of Audit attention.
- tightening the wording around access to certain types of information requested by the External Auditor or the OfS (Office for Students).

The Head of Internal Audit was asked to provide a tracked change version of any amendments in future. Mr Stanton undertook to review the Terms

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of Reference in the light of the discussion and circulate an amended version for Committee approval.

1609 MINUTES OF PREVIOUS MEETING

The minutes of the meeting of 10 June 2020 were **approved** as a correct record (Paper A20/21 – 008). They will be signed by the Chair.

1610 MATTERS ARISING

1. Minute 1594, IT Security Enhancement Plan

The Chief Operating Officer presented Paper A20/21 – 009. It was noted that progress with cyber-security enhancements had continued but that changes in the external environment arising from coronavirus had exposed the University to new risks. The following actions had been undertaken:

- testing resilience against phishing attacks. This had revealed room for improvement.
- implementing measures to strengthen identity management
- using NCSC (National Cyber Security Centre) and JISC guidance to inform resilience planning against ransomware attacks.
- commissioning a cyber security audit. Mr Zimmerman undertook to provide a report to ARAC at its next meeting on the outcome of the JISC assessment of the University's management of cyber risks.

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As a result of the attack against Blackbaud, which had affected a significant number of universities and charities, a review of DDAR (Department of Development and Alumni Relations) suppliers had been instigated.

The Committee **noted** the report.

1611 STANDING ITEMS OF BUSINESS

1. Governance and Risk Updates

1.1 Update from the Vice-Chancellor

The Vice-Chancellor reported as follows:

- The University had been greatly saddened by the death of a second student.
- Undergraduate admissions for home/EU students were expected to be slightly below budget but for overseas students they would be well above budget but around 20% lower than the target for a normal year. There had been an increase in the number of deferred places with some popular courses already filled up to 30-40% for 2021/22.
- Postgraduate taught students were still in the process of registering but overseas numbers had reached 700 against a target of 1200. Though this was below the level expected in a normal year, it was above budget. Home/EU students were above target

and budget, with numbers being up by 100 on last year. The number of deferral offers represented c 50% of the target numbers for 2020/21.

- Student placements had been able in most cases to go ahead.
- The University continued to support student well-being.
- The national second wave of coronavirus infections had led to the Silver Emergency Management Team reforming to monitor the situation.
- The programme of Freshers events had gone well and the campus had now quietened with the start of teaching. A significant effort had been required of staff to ensure a quality blended learning programme for students. There was union resistance to in-person teaching because of concerns over the health and safety of academic staff and need to ensure adequate coronavirus testing was available. The Vice-Chancellor reported that, with effect from the following week, Carpenter House would become a Covid-testing centre as part of the national system of local test centres.
- The IAAPS (Institute for Advanced Automotive Propulsion Systems) project was on track to open in June 2021 with AVL delivery of specialist equipment now commenced. The School of Management building had been progressing as planned. Options for the fit-out were under consideration.
- The financial position was good in respect of student recruitment but still very uncertain; further detailed information would be available in mid-November.
- The EDI (Equality, Diversity and Inclusion) agenda was being progressed with a new appointment. The Department of Biology and Biochemistry had gained an Athena Swan award. [This is a silver award].

1.2 Update from the Chief Operating Officer

The Chief Operating Officer reported as follows:

- The campus had been reconfigured to provide a Covid-secure environment for operations. A video had been produced to encourage people to 'Be Safe' on campus and in University buildings. The arrival of Freshers on campus had gone relatively smoothly and students understood the behaviour expectations. Work was taking place with the Students' Union to provide support to anyone feeling lonely or isolated.
- There was a small but rising number of coronavirus cases and the University was working with Public Health England. A testing unit could be cited on campus if the need arose.

In response to a question, the Chief Operating Officer reported that the new projects created at the start of the lockdown to oversee teaching, student experience, research, IT etc had proved effective. Deputies had been appointed for operational team leaders and any identified potential 'single points of failure' would inform future planning.

2. Training Events

Mr O'Donoghue gave a brief report on a BDO webinar training event that he had attended: the Audit Committee best practice notes and copy slides which focus on the new Code are in the Document Library, ARAC Reading Room, October 2020 folder. Mr O'Donoghue reported that the event had provided reassurance with respect to the comprehensiveness of ARAC's assurance work but had indicated a growing role for assurance over the cultural aspects of the University. Particularly careful attention would need to be directed to 'going concern' assurances and to ensuring that the risk register evidenced the dynamism and focus needed for clarity on the current risk profile.

3. Programme of work 2020/21

The Committee **noted** the workplan for 2020/21 (Paper A20/21 – 010).

It was reported that the programme of work was intended to provide a schedule of business for the year and to be part of a wider review of Council and Council Committee workplans to ensure that there were no gaps in oversight.

It was suggested that a tabular presentation of the workplan mapping items of business to meetings across the year would be helpful.

1612 ANNUAL REPORT OF THE AUDIT AND RISK ASSURANCE COMMITTEE

The Committee **considered** the Annual Report for the year ended 31 July 2020 (Paper A20/21 – 011). It was noted that the report was a draft document and the highlighted text would be updated following consideration of the External Auditor's Management Report.

The following amendments were proposed:

- Addition of attendance record
- Reference to oversight of fraud and irregularity

The Committee's responsibilities with regard to monitoring VFM (value for money) were considered to merit greater focus, with development of specific objectives and a forward workplan for the year ahead being proposed.

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1613 INTERNAL AUDIT ANNUAL REPORT

The Committee **considered** the Annual Report of the Internal Audit Department (Paper A20/21 – 012).

It was suggested that KPIs, which might include feedback from managers on the usefulness of audit investigations, even if limited to brief verbal comments, should be used to provide a performance profile of the Internal Audit Department.

The Head of Internal Audit noted that a lessons learnt report on capital projects could be added into the Annual Report to show other services delivered by the audit team. **HoIA**

The Annual Report will be re-presented to the Committee in November for approval.

In subsequent conversation, it was noted that all audits over the year to date had resulted in an opinion of 'Reasonably Effective'.

1614 JOINT MEETING WITH FINANCE COMMITTEE

The Committee **considered** arrangements for the joint meeting with Finance Committee on 5 November 2020 (Paper A20/21 – 013). It was noted that ARAC would join Finance Committee for consideration of the Annual Report and Accounts in the morning and reconvene later to confirm the final version for recommendation to Council, along with ARAC's report to Council.

It was noted that the finer details of the programme for the day were still under review.

1615 STATUS REPORT ON OPEN AUDIT POINTS

The Committee **considered** the status report on open audit points (Paper A20/21 – 014).

The Head of Internal Audit reported that over the summer he had reviewed audit points, both those that were overdue and others, in order to ensure that remaining audit points were still valid. The impact of Covid-19 had led to deadlines associated with open audit points slipping but revised timescales had been established. The pandemic meant that the total number of open audit points had increased due to the challenges of the current situation.

In response to a question, the Head of Internal Audit reported that an overdue classification would be given to audit points that exceeded the revised timescale. A process to track progress on revised timelines was in place.

1616 STATUS REPORT ON INTERNAL AUDITS

The Committee **noted** the status report on the internal audit programme for 2019/20 (Paper A20/21 – 015). It was reported that fieldwork had been completed on all remaining audit areas for which reports were outstanding.

1617 INTERNAL AUDIT REPORTS

The Committee **considered** the following Internal Audit Reports:

1. **Payroll and Pensions** (Internal Audit Report 06-2019/20) (Paper A120/21 – 016)

It was noted that the University's arrangements for managing the risks related to payroll and pensions are reasonably effective.

2. **HESA Student Record Return** (Internal Audit Report 08-2019/20) (Paper A20/21 – 017)

It was noted that the University's arrangements for managing the risks related to the HESA student record return are reasonably effective.

It was reported that DISBIS (Data Information Security and Business Information Steering Group) had assumed an overarching remit on data quality to avoid duplication of responsibilities with Management Information Group. However, the internal audit review found that the role of the Management Information Group with respect to discussion and review of the HESA Student Data Return was not being replicated within DISBIS and hence the Management Information Group needed to be restarted.

3. **TRAC and TRAC (T) Returns 2018/19** (Internal Audit Report 09-2019/20) (Paper A20/21 – 018)

It was noted that the University's arrangements for managing the risks related to the preparation of the TRAC are reasonably effective. The main management action related to workforce planning and putting in place a process for agreeing plans that was compliant with TRAC methodology. The impact of coronavirus on accounting for academic staff time during the previous academic year was noted; over the summer the workload model was adapted to recognise the extra work required for new approaches to teaching.

4. **Institute of Coding** (Internal Audit Report 11-2019/20) (Paper A20/21 – 019)

It was noted that the University's arrangements for managing the risks related to management arrangements associated with the Institute of Coding are reasonably effective. The Head of Internal Audit noted that project management evidenced some very good practice.

1618 AUDIT STRATEGY 2020-2023 AND ANNUAL PLAN 2020/21

The Committee **approved** the audit strategy for 2020-23 and annual plan for 2020/21 as set out in Paper A20/21 - 020.

The Head of Internal Audit reported that a part-time member of staff had left over the summer but it was not proposed to replace this post in the short term as the work had comprised mainly EU grant audits and the UK's exit from the EU meant that the extent of this work was now uncertain. .

The Head of Internal Audit reported on the reduced number of audit investigations in the timetable. He noted that the timing of some investigations such as review of the effectiveness of processes surrounding the collection of information associated with REF might need to be revised. In response to a question, Mr Stanton confirmed that a number of audit investigations would reflect the increased risk of fraud.

It was proposed that the list of auditable areas be refreshed in next year's plan to capture emerging areas of importance. **HoIA**

1619 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Committee **noted** a report on estimates and judgements to be incorporated into the 2019/20 Annual Report and Accounts (Paper A20/21 - 021).

It was noted that there had not been any material changes to estimates and judgements. However, the approach had become more prudent to reflect the uncertainty in future economic outlook.

1620 ASSURANCE CONTROLS FOR ANNUAL ACCOUNTABILITY AND DATA RETURNS

The Committee **considered** a paper on assurance controls for annual accountability and data returns (Paper A20/21 – 022).

The Director of Policy, Planning and Compliance reported that the column indicating how the data returns inform public funding could be expanded to address a wider range of 'so what' implications, including national and international league table metrics, and internal KPIs. **DoPP&C**

Dr Kemp reported that since July the Estates management return and the non-academic staff return were no longer mandatory. However, they would continue to be completed because they provided benchmarking data and helped to inform decision-making.

1621 RISK REPORTS

1. Risk Management Progress Report

The Committee **considered** the Risk Management Progress Report (A20/21 – 023).

The Director of Policy, Planning and Compliance drew attention to some potential risks including a drop in accommodation fee income and opportunistic phishing and ransomware attacks against the University. A member of the Committee suggested that the gross risk score on the operational risk register should indicate where it had been increased or decreased. **DoPP&C**

In response to a question on risk appetite, Dr Kemp reported that the University had a zero risk tolerance appetite for compliance issues but a greater willingness to accept risk, where a business case supported this, for certain strategic projects.

It was requested that a paper on pensions risks be brought to the next meeting given the potentially significant risks associated with pension schemes and values. A pension briefing by the Director of Finance on the [BUFDG guide to accounting for pensions in the HE Sector](#) was drawn to the attention of ARAC.

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The Committee **noted**:

- the Operational Risk Register
- the update on risk management activities in the Risk Register and Risk Management Plan 2019/20
- the update on risk management activities in the Risk Register and Risk Management Plan 2020/21
- No changes to any of the net strategic risks.

2. **Tabulation of Assurance Activities**

The Committee **considered** the Tabulation of Assurance Activities (A20/21 – 024).

Dr Kemp was thanked for her papers.

1622 ANY OTHER BUSINESS

There was no other business.

1623 TRAINING OPPORTUNITY

The Committee noted a webinar providing updates for HE Governors on 28 October 2020, from 9 to 10 am, run by BDO.

Other training opportunities are posted in the Document Library, ARAC Reading Room on Convene.

1624 PROGRAMME OF MEETINGS 2020/21

The Committee **noted** dates of meetings in the 2020/21 programme, as follows:

- Thursday 5 November 2020 at 10.15 am and 2.15 pm
- Wednesday 27 January 2021 at 11 am
- Tuesday 30 March 2021 at 2.15 pm
- Wednesday 9 June 2021 at 11 am

1625 PRIVATE MEETING WITH HEAD OF INTERNAL AUDIT

The Officers and External Auditor retired from the meeting and the Committee held a private meeting with the Head of Internal Audit. There were no issues of concern to record.

The meeting concluded at 2.00 pm
