
Meeting: **AUDIT AND RISK ASSURANCE COMMITTEE**

Date and Time: **Wednesday 27 January 2021 at 11 am**

Venue: **Virtual via Zoom**

Present:

Tim Ford

Chair

Alex Bayliss
Professor Dot Griffiths
David Hardy
Charlotte Moar
Steve O'Donoghue

Appointed member
Lay member of Council
Lay member of Council
Lay member of Council
Appointed member

In attendance:

Jonathan Bound
Simon Fenne
Tom Stanton
Professor Ian White
Martin Williams
Keith Zimmerman

PwC
Deputy Director of Finance
Head of Internal Audit
Vice-Chancellor and President
Director of Finance
Chief Operating Officer

Attendance for specific items of business only:

Professor Bernie Morley for Minute 1653
Professor Bruce Rayton for Minute 1653
Mike Nicholson for Minute 1653
Dr Nicky Kemp for Minutes 1658 – 1659

Deputy Vice-Chancellor and Provost
Academic Director of PGT Student Recruitment
Director of Student Recruitment and Admissions
Director of Policy, Planning and Compliance

Secretariat:

Clare Henderson

Secretary

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1648 WELCOME AND QUORUM

The Chair welcomed members of the Committee and confirmed that the meeting was quorate.

1649 DECLARATIONS OF INTEREST

No declarations of interest were made.

1650 MINUTES OF PREVIOUS MEETING

The minutes of the meeting of 5 November 2020 were **approved** as a correct record (Papers A20/21 – 039 and 040). They will be signed by the Chair.

1651 MATTERS ARISING

1. Minute 1628 and 1635, Annual Report and Accounts

The Committee **noted** that Council had approved the Annual Report and Accounts for 2019/20, which had been submitted to the Office for Students.

2. Minute 1630, Audit and Risk Assurance Committee

The Committee **noted** that the interface of responsibilities of Finance Committee and ARAC would be illustrated by some worked examples, which would be uploaded to Convene.

3. Minute 1634, Actions and Matters Arising

1. 1. Membership, Terms of Reference and Standing Orders

The Committee **noted** that Council had approved:

- ARAC Terms of Reference and Standing Orders
- ARAC Annual Report and the Internal Audit Department Annual Report.

2. 3. IT Security Enhancement Plan

The Committee **noted** that the JISC cyber-security assessment report was not yet available and consideration of the outcomes would be deferred to a later meeting.

3. 4. Risk Reports

The Committee **noted** that a pensions briefing had been provided by the University Treasurer, Director of Finance and the Deputy Director of Finance on 9 November 2020. The Chair reported that he had held some discussions with the Chair of Finance Committee on both pensions and the interface of the roles of Finance Committee and ARAC and would report **Chair** further in March.

4. Minute 1638, Public Interest Disclosure Reporting Statement

The Committee **noted** that Council had noted the annual report on Public Interest Disclosures.

5. Minute 1640, Annual Report on Fraud

The Committee **noted** a recent incident of fraud relating to the Fresh Shop.

The Head of Internal Audit reported that this was the subject of an ongoing investigation by HR and a further report would be made to the Committee in due course.

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1652 STANDING ITEMS OF BUSINESS

1. Governance and Risk Updates

1.1 Update from the Vice-Chancellor

The Vice-Chancellor reported as follows:

- Successive lockdowns had caused increasing challenges, with further rapid response required in the pre-Christmas period. Teaching had had to move online, with the exception of the Masters course in Pharmacy, and Coronavirus testing facilities had been up and running to support the return home of students.
- There were a significant number of students on campus/in the city, numbering approximately 1200 and above what might be expected given that the University did not offer a clinical provision.
- Student study space had been extended due to demand and University accommodation in Dartmouth Avenue had been reconfigured for study.
- The University Senate had approved No Detriment measures so that students could be confident that their assessment would not be affected by the current Coronavirus-related circumstances.
- A rent rebate had been offered to all those in University accommodation up until mid-February. Discounted meals were also available, with lunches for £1 and dinners for £2.
- The Government position on funding support had hardened despite the costs being incurred by universities.
- A new Inpera system for examinations had been used to process 25,000 pieces of submitted work over just two weeks.
- Lateral flow testing was continuing. There appeared to be few students presenting with positive tests; however, there were now more staff Coronavirus cases.
- The exit from the EU had taken place on 31 December 2020. The University was keen to continue its engagement with the Erasmus+ / Turing scheme and there would be support up until 2023 for projects.
- The University was monitoring the approach of other institutions with respect to student provision. It continued to commit to a high quality provision in terms of delivery of courses and student experience.
- A staged return was being planned for and the provision of curricular and extra-curricular activities was under consideration. It was important to provide encouragement to the student community through these initiatives. Particular attention was being paid to re-thinking ways of doing graduation.
- The OfS letter regarding Regulation during the current phase of the Coronavirus pandemic (Paper A20/21 – 043) would entail audit of the commitments made to students, by reviewing the quantity,

quality and accessibility of provision in line with those commitments. The University was confident that it had gone the extra mile in ensuring a good quality educational provision and student experience.

- Overseas recruitment had been impacted by the pandemic and additional resources had been made available to the recruitment and admissions services. The University did not appear to have suffered a drop in home student applications like some other institutions.
- The pay offer had not been accepted and would probably proceed to a vote. The USS pension valuation situation remained concerning and the Pensions Regulator was likely to be approached, delaying member consultation.
- A pre-planning rounding with the Deans had started and benchmarking data across the range of the University's provision had been provided.

1.2 Update from the Director of Finance

The Director of Finance reported as follows:

- Brexit had not had a significant impact on operations: procurement had continued without undue supply delays albeit the level of purchases was much lower currently. Forward planning had mitigated any negative impacts on the capital programme with most equipment being brought into the UK before the deadline. The treatment of tax on items had necessitated a change to accounting systems.
- A consultation paper was anticipated further to the revaluation and significant deficit of the USS pension fund; extended talks were taking place between the USS Trustees and the Pensions Regulator which had delayed the consultation.
- A rebate on University owned student accommodation not being occupied had been offered though it appeared that some 40% of rooms were in use, reducing the level of payment to approximately £1.5 million.
- The Coronavirus Job Retention Scheme was being utilised and whilst there was a challenging financial situation the forecasts were broadly in line with budget.

Members of ARAC commended the University on its approach to managing the ongoing Coronavirus pandemic situation. The Head of Internal Audit outlined the scope of the audit work to be undertaken in response to the OfS letter on Regulation (Paper A20/21 – 043). The department would review the commitments made in the summer by the University to provide a high quality learning environment against what had been delivered, using a combination of processes: individual confirmation of actions, review of timetables and student feedback. The communications processes with students in respect of changes to provision would be scrutinised. In order to accomplish this work, the audit plan had been adjusted. A member of the Committee asked that any concerning issues be reported to ARAC for attention. The Vice-Chancellor reported that the

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University had taken a proactive approach by maintaining a good dialogue with students through the Student/Staff Liaison Committees to test understanding of what actions would best support students. However, this work was unlikely to be captured in the OfS audit investigation.

2. Programme of work 2020/21

This item was deferred to later in the meeting.

3. Internal and external incidents

1. Data security incident

The Committee **considered** a report on a data security incident that was reported to the Information Commissioner's Office (Paper A20/21 – 042). As a result, a number of steps had been taken to strengthen processes and procedures, and to raise awareness of mandatory Information Security training / refresher courses. A further report on actions would be made to the University Executive Board in February.

A member of the Committee noted that it would be good practice to review across the functions of the University whether data was being retained that should be deleted.

2. OfS letter setting out Regulation during the current phase of the Coronavirus pandemic

The Committee **noted** the letter (Paper A20/21 – 043) which had been discussed earlier in the meeting.

1653 RISK PRESENTATION: STUDENT RECRUITMENT

The Deputy Vice-Chancellor gave a risk update on undergraduate and postgraduate taught student recruitment 2020/21. The slides and supplementary notes are available on Convene.

In the course of the presentation, Professor Morley made the following points:

- There was a shortfall with respect to both PGT and UG recruitment targets. In a normal year, these would have been achieved but some international students had chosen not to come late in the process. For home students, the policy changes by the government on A' level assessment had led to over-recruitment. Some 500 students had deferred to 2021/22.
- International student recruitment had been heavily impacted by the Coronavirus pandemic and the situation going forward remained difficult to predict. Student applications from China had fallen significantly, in part due to their increasing PGT provision but also due to concerns about safety in the UK. There had been growth in the opportunities for recruitment from India. However, an economic downturn would impact the availability of funding for

students.

- The University was ranked 173rd in the QS Global World Ranking but needed to be in the top 100 to be more attractive to international students. The HE environment was increasingly competitive. The University needed to respond by increasing its agility to develop new programmes and admissions policies and structures.
- The risks around predicting student numbers were due to uncertainty around government policy on assessments with potential grade inflation likely; perceptions of international students on how safe and supported study in the UK would be; and the University's reliance on programmes that, although currently popular, required student interest to be maintained. Increased agility to respond to market demand was important.
- The University was committed to a Bath brand that relied on recruiting students with high grades, providing them with good placements and enabling them to secure good jobs.
- Further resource had been directed at increasing the capacity of the marketing and admissions teams and the Recruitment Strategy Group had been expanded. New strategies had been developed to interface more effectively with China eg using the Superlinks platform, and more generally with applicants. New web and social media content had become increasingly important marketing and applicant engagement tools.
- Access and participation targets presented a risk as failure to meet them would incur significant financial penalties. Action had been taken to broaden recruitment by collaborations, new pre-University support programmes to expand diversity of applicants and increasing reach by online offering, alongside expansion of contextual offers and running trials to review borderline offers in the context of individual circumstances.

In response to questions, the Deputy Vice-Chancellor, Academic Director of PGT Student Recruitment and Director of Student Recruitment and Admissions made the following points:

- The importance of rankings, whether QS Global World Ranking or other, was that they could enhance international reputation and recognition and students reviewed them when selecting an institution for study. In this context, the IAAPS (Advanced Automotive Propulsion Systems), IMI (Institute for Mathematical Innovation) and IPR (Institute for Policy Research) played a key role in Bath's international and national standing.
- The criteria on which students (and their parents) based decisions were related to league table rankings, whether in relation to an institution's reputation, student satisfaction or the employability of graduates, and for the brightest students they would not look down beyond a certain point in the rankings. It was, therefore, essential that the University maintained or improved its position.
- The importance of placements in the Bath offering applied at both undergraduate and postgraduate level. Many applicants had a strong sense of career direction and appreciated the opportunities

offered, which included alumni events to further extend the range of placement and employment options.

- The efforts to support widening participation were ever expanding and included: third party advocates, partnerships (Brilliant Club and Rare Recruitment) and programmes (INTO, Seren Network supported by the Welsh Government) as well as extending the online virtual open days and web and social media information and support. Whilst the University was highly regarded for its support packages, there remained work to enhance appeal and extend reach.
- Although some students might perceive issues connected to the costs of taking a placement and extending the period of study, the University was able to provide support in finding paid placement options, bursaries to mitigate hardship or through the Gold Scholarship Programme, and employers often welcomed the opportunity to have a more diverse workforce.

Professors Morley and Rayton and Mike Nicholson were thanked for their presentation.

1654 CYBER-SECURITY PROGRESS REPORT

The Committee **considered** an update on the IT security enhancement plan and cyber-security risks (Paper A20/21 – 044). The Chief Operating Officer reported that additional features and security services have been unlocked as part of an uplift to Microsoft Licensing, cyber-essentials plus accreditation had been achieved for some core devices for researchers and work was ongoing towards BS 31 111. Good progress had been made in implementation of security improvements and deployment of next generation antivirus software, with an ongoing priority being enhanced user account protection through MFA (multifactor authentication).

Due to a staff resignation and the requirements of the service, new staff were in the process of being recruited. The market for IT specialists was an area currently experiencing volatility and salary inflation so DDaT needed to consider the options.

Two phishing exercises had been conducted, followed by additional training for those who had entered their credentials. There would be a ransomware exercise upcoming to test resilience and provide an audit of the position.

In response to questions, the Chief Operating Officer made the following points:

- It was hoped that the staffing position would improve over the next three months as new team members were onboarded;
- The JISC audit would produce a roadmap based on best practice. The priority areas were password management and MFA, accreditation and building the IT security team. The suggestion of a mapping process to show the pathway to green (recovery) was noted;

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- The team was working extremely hard and progress needed to be aligned with capacity.

1655 STATUS REPORT ON OPEN AUDIT POINTS

The Committee **considered** the status report on open audit points (Paper A20/21 – 045).

The Head of Internal Audit reported that 38 audit points had been closed since October 2020. The report for open audit points had adopted a colour coding system to illustrate the stages of progress in implementation. Overall, the number of overdue points had remained at an increased level. Tom Stanton drew attention to an overdue point on asbestos management which would now be incorporated into new asbestos management and re-inspection programme arrangements.

In response to a question, the Head of Internal Audit reported that all the responses that he had received further to progress requests on open audit points were considered reasonable when the level of risk was reviewed and the current Coronavirus circumstances taken into account. It was noted that outstanding audit points were discussed at the University Executive Board and this provided an additional mechanism for monitoring management actions.

1656 STATUS REPORT ON INTERNAL AUDITS

The Committee **noted** the status report on the internal audit programme for 2002/21 (Paper A20/21 – 046). It was reported that progress was being made on audit investigations to be reported in March, but in general the audit environment was challenging with some areas of the University under significant pressure and taking longer to respond to information requests. In order to mitigate the impact of this, the audit team were working on multiple projects.

1657 INTERNAL AUDIT REPORT

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

1. **Institute of Coding – Industry Co-investment** (Internal Audit Report 01-2020/21) (Paper A20/21 – 047)

It was reported that, as a condition of awarding the grant, the OfS required that the Government's investment be matched by further investment from industry, including in-kind contributions such as training and equipment. Internal Audit had obtained a list of co-investments and verified through supporting documentation for a sample that the investments received were eligible and had been recorded accurately.

It was noted that the University led the group of 25 universities in the project to develop the next generation of digital specialists. In response to a question on how the University could optimise this opportunity, the Vice-

Chancellor noted that the project relied on individual institutions but had won awards for its inspiring content and partnerships. The Vice-Chancellor outlined that there were two aspects to the project: the IoC as a brand and its success and the University's responsibilities for monitoring that the IoC's internal processes were appropriate for ensuring governance arrangements. The University's position as lead partner for the IoC provided a good opportunity for the University to develop new courses and partnerships in this area. He noted that the Government's continued funding for the project was expected to be part of the March Budget considerations.

1658 RISK MANAGEMENT PROGRESS REPORT

The Committee **considered** the Risk Management Progress Report (A20/21 – 048).

The Director of Policy, Planning and Compliance drew attention to the removal of some risks from the Operational Risk Register since the last report and to the inclusion of new, mostly Coronavirus-related, risks which had assumed a greater priority. The RAG rating identified risks levels, but the previously discussed dashboard approach to aid visualisation of the changes in operational risks had not been put in place for the current meeting, though it remained an objective.

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Dr Kemp reported that the University had limited capacity to manage down some risks, citing as an example international student recruitment, albeit such actions as could be taken were being put in place (eg enhancement of engagement through Student Ambassadors).

In response to questions, it was reported that:

- The development of the University Strategy would be progressed towards the end of this academic year and the Strategic Risk Register would be linked to it;
- Staff resource had been redeployed to areas of activity put under pressure by the Coronavirus situation and the flexible furlough arrangements had helped;
- The use of a mapping process to show the roadmap to green (recovery) was noted to be useful but dependent upon the national context eg renewal of confidence in the automotive industry to move forward R&D;
- The scale-up of IAAPS projects would be slow but business development was a focus of ongoing attention;
- The Risk Management Progress Report was a dynamic tool that would respond to changing circumstances.

The Committee **noted**:

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

1659 UPDATE ON POLICY FRAMEWORK AND SCHEDULE OF POLICIES

The Committee **considered** the policy framework, schedule of policies and policy review dates (Paper A20/21 – 049).

The Director of Policy, Planning and Compliance noted that the UEB had agreed a schedule that would facilitate the review of overdue policies and policies due for review in 2020/21 by the end of this academic session. In addition, review of policies by Council and Council Committees by the end of the academic session were being progressed.

A significant piece of work was the review of the Financial Regulations, which was being overseen by the Standing Group on Financial Probity and the Deputy Director of Finance.

There was further work to do on the policies schedule. This would be tackled over the summer and include review of:

- nomenclature of governance documents and whether some 'policies' might be better re-designated;
- approvals processes for policies and whether these remained appropriate;
- website signposting and validity of policy links to ensure current documents were uploaded;
- accessibility of policies and compliance with new guidance and good practice.

Dr Kemp was thanked for her reports.

1660 TRAC RETURN 2019/20

The Committee **considered** the TRAC Steering Group report and the TRAC return (Paper A20/21 – 050).

The Director of Finance outlined the process of review by the TRAC Steering Group to ensure compliance with OfS guidance. The current year's return included supplementary tables to reflect the impact of the Coronavirus situation.

The year showed an operating deficit of £10.49 million largely due to the impact of Covid-19 on residences and catering income and lower investment returns. Additionally, public funded teaching income per student had remained flat while costs escalated. There had been a declining cost recovery on research grants over the years. The Financial Sustainability Group was looking at this to see if recovery rates could be improved.

In response to questions, the Director of Finance reported that the TRAC return was useful in terms of research data but the course costing tool was more useful for assessing teaching programmes.

ARAC agreed to **recommend**:

- to the Vice-Chancellor: that, as the Accountable Officer, he could sign off the return and submit it to the Office for Students by the deadline of noon on 1st February 2021; and
- to Finance Committee: that it should monitor declining cost recovery on research grants, given the significance of the risk it could present to sustainability.

1661 ANNUAL PROCUREMENT VALUE FOR MONEY REPORT 2019/20

The Committee **considered** the Annual Procurement VFM Report (Paper A20/21 – 051).

The Director of Finance reported that the Procurement Report was based on the Higher Education Procurement Association Benefits Reporting Methodology guidance to calculate cashable and non-cashable efficiencies.

The Coronavirus had impacted procurement but savings per pound spent had remained good and the table in section 19 of the report used KPIs to evidence the performance of procurement activity.

In response to a question on maximising the opportunities for VFM, the Director of Finance reported:

- that economy, efficiency and effectiveness would be raised in annual planning discussions, including with professional services. A member of the Committee noted that it was important to review levels of service against requirements and expectations.
- Given the pressure on resources, there needed to be continuous appraisal of efficiency and productivity within areas of activity. It was agreed that VFM was difficult to define and the focus would be on economy, efficiency and effectiveness; gathering a range of assurances across activities - student feedback being one such example - could build a picture to be considered further in the context of guidance from the OfS or NAO.

1662 EXTERNAL AUDIT: ANNUAL PERFORMANCE ASSESSMENT AND PROVISION OF ADDITIONAL SERVICES

The External Auditor withdrew from the meeting prior to discussion of this item of business.

The Committee considered a report on the effectiveness of the External Audit Service during the year ended 31 July 2020 (Paper A20/21 – 052). The Committee noted that the audit had gone smoothly and that the presence of a more active Audit Engagement Lead at meetings had enabled issues to be resolved promptly and effectively. In line with the

report, it was agreed to **recommend** to Council that PwC continue as the University's External Auditor for the 2020/21 audit.

It was noted that no non-audit services were provided by the External Auditor during the period covered by the report.

The Committee agreed that PwC webinar sessions had been very useful and reiterated their desire to receive HE Sector updates, perspectives and any learning points from Jonathan Bound, PwC Engagement Lead. **JB**

1663 PROGRAMME OF WORK

The Committee **noted** the programme of work as set out in Paper A20/21 – 041 A & B.

1664 ANY OTHER BUSINESS

There was no other business.

1665 TRAINING OPPORTUNITY

The Committee **noted** training opportunities, as follows:

- The PwC runs an [HE Governors' programme](#) and upcoming events are posted; and
- BDO HEI Audit Committee session: webinar for HEI governors on Wednesday 19 May 2021 from 9 – 10 am (<https://www.bdo.co.uk/en-gb/events/hei-audit-committee-session>)

1666 PROGRAMME OF MEETINGS 2020/21

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

- Tuesday 30 March 2021 at 2.15 pm
- Wednesday 9 June 2021 at 11 am (time to be brought forward if possible)

Provisional dates for 2021/22 are as follows:

Wednesday 29/09/21 at 11 am
Thursday 04/11/21 at 10.15 am and 2.15 pm
Wednesday 26/01/22 at 11 am
Wednesday 30/03/22 at 11 am
Wednesday 08/06/22 at 11 am

The meeting concluded at 2.00 pm
