



## Minutes of Meeting

Meeting: AUDIT AND RISK ASSURANCE COMMITTEE  
Date and Time: Tuesday 30 March 2021, at 2.15 pm  
Venue: Remotely, via Zoom

### Present

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

### In attendance:

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

Professor Dot Griffiths was present for the business recorded in Minutes 1667 to 1676

Steve O'Donoghue was present for the business recorded in Minutes 1667 to 1676

Jonathan Bound was present for the business recorded in Minutes 1667 to 1671

Simon Fenne was present for the business recorded in Minutes 1667 to 1677

### Attendance for specific items of business only:

Simon Hold for Minute 1672	Insurance Services Manager
Dr Nicky Kemp for Minutes 1672 – 1673	Director of Policy, Planning and Compliance

### Secretariat:

Clare Henderson	Secretary
Matthew Fudge	Secretary to Finance Committee (observer)

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### 1667 - Welcome and Quorum

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

### 1668 – Declarations of Interest

No declarations of interest were made.

### 1669 – Minutes of previous meeting: Paper A20/21 - 053

The minutes of the meeting of 27 January 2021 were **approved** as a correct record (Paper A20/21 – 053). They will be signed by the Chair.

## 1670 – Actions and Matters Arising

### 1) Minute 1651 (2) MA: Audit and Risk Assurance Committee

**Interface of responsibilities of Finance Committee and ARAC:** The Chair reported that worked examples had been developed, which he had discussed with the Chair of Finance Committee. The points captured for action would be taken into consideration when the Finance Committee's Terms of Reference were reviewed, which would be on the Finance Committee agenda for June.

### 2) Minute 1651 (3.2) MA: IT Security Enhancement Plan

**JISC cyber-security assessment report:** It was noted that the report was not yet available, so this matter remains outstanding.

### 3) Minute 1651 (3.3) MA: Risk Reports

**Pensions:** The Chair reported that, as discussed at the Council spring strategy day, it was proposed to convene a small group of lay members to support development of options around pensions and to report back to Council.

The Vice-Chancellor noted that the USS Trustee had published its valuation report on the pension scheme which included proposals for increased contributions to maintain benefits and address the scheme's deficit. The size of the deficit and figures set out for raising the employers' contribution rate to 42% had prompted UUK to challenge the numbers. The JNC (Joint Negotiating Committee) would review the impact of the increase in pensions contributions by June. A consultation with employers and employees over a 6 to 8 week period was anticipated over the summer. However, universities considered that the current rates were at the limit of what would be sustainable and some 20% of eligible staff were already not now joining the scheme because of costs.

### 3) Minute 1651 (5) Annual Report on Fraud

**Incident of fraud:** The Head of Internal Audit reported that HR had conducted an investigation which had resulted in the dismissal of a member of staff for gross misconduct. The cash handling risk had since been removed by allowing only contactless payment. The fraud had been small in scale, approximately £100.

### 4) Minute 1652 (1.2) Update from Director of Finance

**OfS Regulation during the current phase of the Coronavirus pandemic:** The Head of Internal Audit reported that most of the work had been completed and a report would be presented at the June meeting.

**Action: Head of Internal Audit – OfS report to June 2021 ARAC meeting**

### 5) Minute 1659 Update on Policy Framework and Schedule of Policies

**Financial Regulations:** The Deputy Director of Finance outlined the changes:

- Changes further to new governance and organisational structure
- Replacement of HEFCE with OfS
- Changes to role titles and allocation of responsibilities
- Changes of classification within the Financial Regulations including terminology around policies and procedures.

The above changes would be included in an amended set of draft Financial Regulations to be uploaded to Convene for members of ARAC, Finance Committee and University Executive Board to review. Any comments submitted through Convene would be considered by the Director of Finance and Deputy Director of Finance for incorporation, as appropriate, into a final draft for UEB to consider. Finance Committee would be asked to approve the revised Financial Regulations at its meeting in June.

## 1671 – Standing Items of Business

### 1) Governance and Risk Updates

#### 1.1 Update from the Vice-Chancellor

The Vice-Chancellor reported as follows:

- The REF submission had been completed, the decisions on ODA (Official Development Assistance – FCO International programme) were expected and would affect the four grants held by the University, decisions on the Horizon programme were also awaited, projects such as I-START were being reviewed in a risk-based way, and a new initiative had been to link with Defence Digital in Corsham, which was the first business-led cyber centre.
- The University hoped all students would be allowed back after Easter and there was on-going planning around the impact on campus space and accommodation. It was estimated that some 70% of students had already returned.
- The return of staff was under consideration; many had expressed the wish to continue home-working as well as in-person presence in line with roles and responsibilities.
- The University saw 2021/22 as a transition year and was aware of potential surges of coronavirus in the autumn.
- A new Dean of Engineering had been appointed. Consultation on senior roles was ongoing. Professorial pay would be part of a review. An operating model review would be conducted by the COO.
- The admissions processes had changed; this year overseas PG Taught offer rates had gone up and the challenge would be to ensure a good conversion rate.

#### 1.2 Update from the Director of Finance

The Director of Finance reported as follows:

- The outlook last year had been bleak and this was reflected in the budget for 2020/21. Alongside the budget, a savings plan had been developed. The estimated reduction of income had been 13%, and, to help manage this, savings of £31.5 million had been put in place bringing down expenditure by 12%.
- Savings had been made through the Voluntary Exit Scheme and senior pay awards, fewer studentships, discontinuation of the Pall Mall lease and closure of the London based Executive Education activities, costs of The Edge, and lower subsidy for sport.
- Recurrent savings on staff had been impeded by the exceptional pressures brought by Covid. Non-pay savings were expected to be 84% of target.
- Out-turn predictions for the year ranged from near break-even to £7 million deficit.
- The LGPS would close to new starters on 1 June and would impact next year's out-turn rather than the current year. However, it would result in a reduced risk. In addition to the individual member cash contributions of 16.5%, the University also had to recognise the uplift to the full service cost of

42%. Over ten years, a saving of £6.25 million was projected, assuming full service cost was maintained at 42%.

- Going forward a lot would depend on student recruitment. A phased budget approach would continue to be taken.

### 1.3 Update from Chief Operating Officer

The Chief Operating Officer reported as follows:

- The number of students who had returned was greater than the number required by teaching provision. Many had now returned home for the Easter vacation.
- There had been very low rates of Covid cases on campus: eleven student cases since the new year.
- The return of staff would be matched to service requirements for students, which would continue to expand over coming months. With effect from 12 April, human participant research would resume.
- An operating model review would commence for professional services. The aim would be to identify where units could work more closely and, in so doing, improve efficiency and reduce costs.
- Prioritisation of work in digital and estates over the medium term was needed. The new Acting Director of Estates, Ricky Daniels, would start on 12 April and would do a H&S compliance review, the report of which would come to ARAC.

In response to questions from members of ARAC, the following points were made:

- The overarching review of cost pressures and available funds would start with the planning round and budgets for 2021/22. However, at this stage not all information would be known, eg costs of long-term maintenance and space availability on campus. The needs of strategic projects would again only become clear as the University defined and adjusted to the “new normal”.
- The international situation with respect to vaccine passports would be monitored. The US had started roll-out but the picture internationally remained unclear.
- Staff would be required on campus, including those not yet vaccinated. There were on-going discussions with Trades Unions. The University had been commended for the safety of its teaching environment. Returning staff needed to share confidence in the measures being put in place to keep everyone safe.
- Special events would be arranged to keep up morale.
- ARAC members could best support the University by drawing its attention to good practice, innovative solutions or exemplar responses in other institutions.

### 1.4 Update from the External Auditor

The External Auditor reported as follows:

- A consultation had been launched by the Government on whether to extend the definition of a 'public interest entity' to include third sector bodies and universities. If universities were to be included, then they would come under the remit of the audit regulator and be subject to greater regulation. This would reflect the practice in the US under the SOX (Sarbanes Oxley) rules. For example, universities might have to report on the robustness of their control environment and attest that it was properly designed and working.

Members of ARAC noted that this was likely to increase costs and also make it harder to recruit unremunerated non-executive members because of the increasing responsibility and time commitment.

## 2) Programme of Work 2020/21 Paper A20/21 - 054

The Committee **noted** the programme of work.

## 3) Internal and External Incidents

There were no internal or external incidents to note.

*Jonathan Bound withdrew from the meeting after this item of business*

### 1672 – Risk Presentation: Insurance

The Committee welcomed Simon Holt, Insurance Services Manager, for this item of business. Under the Scheme of Delegation, final authority for insurance cover lies with the Vice-Chancellor but ARAC may review from time to time.

In the course of his powerpoint presentation, the Insurance Services Manager made the following points:

- The reference in the Risk Register to insurance was under “Financial Capacity – Performance” where it is shown as a mitigation for controlling risks. Insurance enabled the protection of cashflow and the balance sheet and allowed the University to borrow, to sign research contracts, to travel overseas, and defend any legal claims. Insurance was never used as a reason not to go ahead with an activity.
- The Insurance Services Manager reported to the Head of Procurement and worked alongside a Category Manager who provided oversight of the procurement aspects. This separation of roles was important as the Insurance Services Manager was also currently on the Board of UMAL which provided most of the University’s covers. UMAL was a discretionary mutual, providing cover purely in the HE/FE sector, and owned by its members. Where it was unable to provide cover, its subsidiary, Hasilwood provided access to the market for any peripheral covers; this had been very beneficial for the University.
- The University spent around half a million pounds each year on the various covers as consistent with an organisation of the size and complexity of the University and currently had a loss ratio of around 77%. Each year a report was produced for UEB to highlight cost, claims, covers, emerging risks and areas of concern.
- The process of identification of risk was both structured and ongoing. Each year a questionnaire detailing the various exposures was compiled. In general, members of the University were very cautious and checked with the Insurance Services Manager before embarking on activities. Keeping abreast of the news stream was also invaluable as a source of information. Additionally, the Insurance Services Manager received a copy of the updated Estates Project Register after each project board meeting which he reviewed to ensure appropriate cover for each project. Through this mechanism he had early warning of upcoming projects which might require the input of UMAL’s risk surveyor in the design state. UMAL’s risk surveyor came to campus for a week every two years and reviewed health and safety documentation etc and went into every building to look for problems and to check that issues identified on the last visit had been addressed.
- The University had just had its buildings revalued for insurance purposes (paid for by UMAL) which would ensure that any major claim would be paid in full. Costs and limits of cover were benchmarked with a peer group and via UMAL.
- With respect to the limits of cover:

On the property damage side, the total reinstatement value was just over 1 billion pounds, and there was cover up to £400 million for any one loss. The worst-case scenario had been calculated as a loss of £162m in the event of an unchecked fire in the Faculty of Engineering; a more realistic figure, assuming some protections were effective, brought that down to £96m. The first £10k of any claim was not covered but handled in-house which had proved very effective and reduced claims

frequency. Following Grenfell, the public liability limit had been raised to £100m. All of the University's limits were as high or higher than its peer group.

- The University kept its cover up to date through information provided by insurers, legal firms, brokers and UMAL which issued frequent risk alerts, held webinars etc. UMAL's risk surveyor produced detailed reports and maintained a technical library to which the University had access. The group of Insurance Services Managers formed a supportive and collaborative network. The ACI (Chartered Insurance Institute) and IRM (Institute of Risk Management) were another source of guidance.
- There were three areas of exposure to uninsured losses: some aspects of Cyber cover, pre-1972 Employers' Liability and pre-1980 Public Liability. Due to the way Cyber exposures and covers had developed over time, there was a certain amount of cover under different parts of the insurance programme. Work was on-going with to collate the information required to obtain a new quotation for consideration, for which the likely cost was between £60k - £80k. The issue of historic asbestos related claims remained a potential problem.
- Regarding insurance and the coronavirus pandemic, general insurance was never intended to cover the loss of turnover caused by the lockdowns. The UMAL cover provided a small amount of cover with respect to infectious diseases with a limit of £250k. The pandemic had brought some significant challenges: initial lockdown created huge issues for travellers in terms of cancellation and repatriation claims; manufacturer and supply of PPE, Covid testing and sudden change of indemnity arrangement by government had been other areas to manage. The change to homeworking had increased the scope for more small property losses, and had also changed some of the liability risks – stress, loneliness etc.

In response to questions from members of ARAC, the following points were made:

- The University left the LUPC (London Universities Purchasing Consortium) in 2012 but had continued to bench-mark insurance cover costs against its provision. This comparison showed that the University had achieved a good deal through UMAL, which had offered a three-year guaranteed rate (the University being currently in the final year). However, LUPC was due to re-tender in 2022 and the University would monitor the situation. The SUPC (Southern Universities Purchasing Consortium) offered another mechanism for bench-marking.
- In terms of any invalidation of insurance cover through its own actions, the Insurance Services Manager noted that there was a general overarching insurance requirement to minimise risk and that, in the event of the University breaching its own procedures, the insurer would have to demonstrate deliberate intent or negligence before it could refuse to cover costs.

The Insurance Services Manager was thanked for his presentation.

### **1673 – Risk Management Progress Report: Paper A20/21 - 055**

The Committee **noted** the Operational Risk Register and risk mitigation activities in respect of the Risk Register and Risk Management Plan for 2020/21 and **considered** the draft Strategic Risk Register for 2021/22.

The Director of Policy, Planning and Compliance drew attention to:

- **The Operational Risk Register** – where a RAG rating flagged risks of most concern based on trajectory and comparative severity. Since the last report, three risks had been removed from the Operational Risk Register and three had been added. The latter related to senior staff changes and 'acting up' cover, financial sustainability of USS contributions, and loss of Erasmus+ funding and its impact on mobility activities. The changes in RAG rating of various activities were set out in the paper.

- **The draft Strategic Risk Register** – set out in Appendix 4, related to the emerging University Strategy. It contained an additional risk area, enterprise risk which reflected the importance of this strand of activity. In addition, reference to CAF (Climate Action Framework) and EDI (Equality, Diversity and Inclusion) had been given more profile. Under the research sustainability heading, the risks around conduct of research, contextualised by CAF, would pick up on travel, high energy consumption of some equipment and use of non-reusable consumables. The early draft of the Strategic Risk Register would help to provide information to underpin the Internal Audit programme for 2021/22.

Members of ARAC welcomed and commended the draft strategic risk register. Members made the following points:

- Target dates should be specific, even if the date represented the start of setting in place a process. The designation of ‘on-going’ was unhelpful.
- The Vice-Chancellor should not have direct responsibility for risk areas.
- It would be useful to articulate a target risk for outcomes of risk mitigation activity.
- The challenge would be to present the big picture of the risk environment – key risks, mitigations and resulting picture – and to track through a dashboard model risk appetite, risks, improvement actions, and residual risk. The headline view would facilitate easier monitoring of this area.
- Where a red flag rating persisted within an area, there should be a roadmap for action leading back to green. The addition of key milestones to be achieved over the next five years should underpin the direction of travel.
- The current format of the strategic risk register relied on the model provided by HEFCE and consideration should be given to alternative formats.
- The pensions risk should be included as both a short and longer term risk.
- Staff morale was enhanced by recognition of contribution. It was noted that the VC’s staff communications reflected this important action.
- The high turnover of senior staff would not result in loss of institutional knowledge as there would be ongoing engagement with individuals through their new roles within the University or consultancy work.

**Action: Director of Policy, Planning and Compliance and David Hardy to discuss dashboard presentation**

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

#### **1674 – Update on IT Security enhancement plan and Cyber Security Risk: Paper A20/21 - 056**

The Chief Operating Officer presented the report noting that staffing issues had impacted progress. A new Security Analyst had been appointed but the IT Security Developer role had not yet been replaced.

The ransomware threat across the Sector remained significant and a simulated ransomware exercise would be undertaken in May. As new guidance and recommendations emerged, they were being adopted. The newly appointed Business Continuity and Organisational Resilience Manager would provide better oversight of general business resilience.

The implementation of mitigation activities had been impeded by resource scarcity but the University had achieved cyber-security accreditation and met NHS requirements under their Data Security and Protection Toolkit. The COO repeated his expectation to develop a roadmap by the summer.

The Committee **agreed** that an update on the University’s cyber security posture should continue to be included on its agenda given the continued risk.



**Action: COO to continue to provide updates to ARAC**

**1675 – Status report on open audit points: Paper A20/21 - 057**

The Committee **considered** the open audit points summary as at March 2021.

The Head of Internal Audit reported that a good number of audit points had been closed since January although the number remaining in place continued to be high. None of the overdue points had received a red RAG rating. The University's refocusing of priorities during the pandemic meant that resolution of some points had not progressed. However, effort would now be directed at ensuring that enhancements to the control environment noted in open audit point summaries were addressed through individual Department plans.

**1676 – Status report on internal audits: Paper A20/21 - 058**

The Committee **noted** the status report on the progress of Internal Audit reports.

**1677 – Internal Audit Report: UUK Code of Practice - Student Accommodation: Paper A20/21 - 059**

The Committee **considered** the Internal Audit Report. The Head of Internal Audit reported that the audit opinion was that the arrangements for managing the risks related to student accommodation in relation to the UUK Code of Practice were reasonably effective. However, due to the furlough of staff, some inspections and actions had not been completed within the timescales. It was noted that the coronavirus pandemic had resulted in reduced numbers of students on campus which meant a re-prioritising of activity.

Members of the Committee considered that there was a failure to evidence and justify decision-making. The audit investigations raised issues which had potential for significant reputational damage if not addressed. It was essential that processes should be properly followed, records maintained, checks undertaken and that these should be documented and target dates met.

It was noted that the Acting Director of Estates had been appointed (Ricky Daniel) and he would have general responsibility for ensuring the management actions were completed.

**1678 – External Auditor Appointment: Paper A20/21 - 060**

The Committee agreed to **recommend** to Council the extension of the External Audit contract with PwC for a further two years from 1 August 2022, covering the 2021/22 and the 2022/23 financial years.

**1679 – ARAC assessment of effectiveness: Paper A20/21 - 061**

The Committee **considered** the outcomes of its self-assessment exercise. Members of ARAC made the following points:

- The individual conversations with the Vice-Chancellor had been greatly appreciated and another round should be put in place before the academic year-end.
- Further consideration should be given to how the Committee could best support the Vice-Chancellor, senior officers and Council in their work.
- The lay and appointed members of ARAC should meet again in private discussion.
- There should be more time to read papers in advance of meetings.
- The plan to address points raised should be taken forward.

**1680 – ARAC Appointed Member vacancy**

The Committee **noted** the [appointed member vacancy advertisement](#).



### **1681 – Any other business**

There was no other business.

### **1682 – Training opportunities**

The Committee **noted** that the Chair had attended the PwC session on the financial outlook for HEIs following a year of unprecedented change and would send round a link for others to hear the presentation.

The webinar for HEI governors on 19 May 2021 was noted.

### **1683 – Dates of Meetings**

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

Wednesday 9 June 2021 at 10.30 am

Provisional dates for 2021/22:

Wednesday 29/09/21 at 10.30 am

Thursday 04/11/21 at 10.15 am and 2.15 pm

Wednesday 26/01/22 at 10.30 am

Wednesday 30/03/22 at 10.30 am

Wednesday 08/06/22 at 10.30 am

**Action: To note earlier start time of meetings**