



Minutes of Meeting

Audit and Risk Assurance meeting

Wednesday 9 June 2021 at 11 am

Virtual meeting via Zoom

Attendance:

Professor Dot Griffiths, Chair
Alex Bayliss, Appointed Member
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

* Jonathan Bound was present for the business recorded in Minutes 1684 to 1691

** Keith Zimmerman was present for the business recorded in Minutes 1684 to 1696

Attendance for specific items of business only:

Alex Butler, Chief Digital and Information Officer, for Minutes 1688 (3) to 1689
Dr Nicky Kemp, Director of Policy, Planning and Compliance, for Minutes 1697 to 1698

Secretariat

Emily Commander, Head of Strategic Governance
Clare Henderson, Secretary

1684 - Welcome and Quorum

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

1685 – Declarations of Interest

No declarations of interest were made.

1686 – Minutes of previous meeting - Paper A20/21 - 062

The minutes of the meeting of 30 March 2021 were **approved** as a correct record (Paper A20/21 – 062). They will be signed by the Chair.

1687 – Actions and Matters Arising

1) Minute 1659: Update on Policy Framework and Schedule of Policies

Financial Regulations: It was noted that the revised Financial Regulations, which had been approved by the University Executive Board, would be submitted to the meeting of Finance Committee on 24 June.

2) Minute 1678: External Auditor Appointment

Extension to PwC contract: It was noted that Council had approved the extension of the External Auditor's contract for a further two years from 1 August 2022.

3) Minute 1679: ARAC assessment of effectiveness

Update on action points: It was noted that it was proposed to hold the ARAC lay member conversations in the autumn to co-ordinate with the start of the new academic year.

4) Minute 1680: ARAC appointed member vacancy

Update on applications: It was noted that there was a strong field of applicants and interviews would be held on 17 June 2021.

1688 – Standing Items of Business

1) Governance and Risk Updates

1.1 Update from the Vice-Chancellor

The Vice-Chancellor reported as follows:

- **Rankings:** The University had moved up in the QS World University Rankings 2022; nationally it was in the top ten of the three major UK university rankings. The PTES (Postgraduate Experience Survey) had seen the satisfaction rate go up by 10%.
- **End of year:** Teaching and examinations had now ended. It was hoped to hold graduation ceremonies with social distancing but subject to any further developments. Nearly 6,000 students from the 2020 and 2021 cohorts had expressed the wish to attend graduation.
- **CMA:** In line with CMA (competition and consumer authority) requirements, communications about the next academic year were ongoing under the leadership of Professor Steve Brammer.
- **Recruitment:** The number of undergraduate applications had been strong with 2000 more applications being received this year (resulting in the highest ever total). Some 30% of the UK offer holders had a widening participation characteristic. International applications had remained strong. The greatest concern currently was the situation in India, where national examinations had been replaced by assessment with any results received possibly to arrive too late for students to make arrangements to be in Bath by the start of the new academic year. Numbers of PGT (Postgraduate Taught) Home students had significantly increased but Overseas had decreased although the School of Management had increased their applicant pool in recent weeks.
- **Senior Management Team:** Interim appointments would be made pending completion of interviews. An offer had been made for the post of PVC (Education), interviews would be held on 10

June for the post of PVC (Research) and the process of recruitment for the Deputy Vice-Chancellor and Director of Development and Alumni Relations had started. The University would also maintain its vigilance on staff work-loads for the next academic year as this would continue to be a transitional period.

- **Finance:** The finances remained a point of close attention.

In response to a question on publication of the new University Strategy agreed by Council in May, the Vice-Chancellor reported that there was a draft web site which would be made public in the coming weeks but that the approach would be to start the process of exploring the strategic headings through workshops with Heads of Department and other key groups.

1.2 Update from the Director of Finance

The Director of Finance reported as follows:

- The outlook for 2020/21 was positive and relatively strong given the ongoing impact of Covid-19. The Quarter 3 accounts showed a surplus of £7 million though it was expected that the Q4 results would produce a loss due to loss of summer trade. The forecast for the year was, therefore, a break-even position.
- The operating cashflow was on track to meet loan covenant requirements with some headroom.
- The proposed budget for next year was a surplus of £2 million, continuing to acknowledge the Covid-19 situation especially with respect to recruitment. Thereafter, it was expected that the University would return to a normal 3% surplus margin despite the significant Sector risks.
- The pension situation remained a concern. The USS 2020 valuation had not concluded. As a result, the 2018 valuation remained in place and this would result in employer contributions rising to 23.7% from October.
- The Comprehensive Spending Review and Augar Review implications created uncertainty. The University had conducted some work in relation to the impact of the Augar proposals and this would be updated for the planning submission to Finance Committee.
- Going forward, it would be important to grow non-regulated fee-paying students and research income in a financially sustainable manner.
- There would be risks and opportunities as the University emerged post-Covid. Hybrid working and blended learning offered new ways of delivering professional services and educational provision.

In response to questions, the Director of Finance reported that a programme consultant had been engaged to manage delays to the School of Management building. Completion was now anticipated in January 2022 to allow teaching from February. He noted that the failure of the IAAPS chilled water system could entail a replacement of the system: the current flawed system was undergoing continued testing and advice was being taken from a specialist engineering firm and a legal team. The near term impact on the financial position in each case would be minimal because the School of Management issue was predominantly operational and the IAAPS business plan had forecast a deficit in the first couple of years though there would be impact on cashflow in later years. It was noted in discussion that damages of approximately £10,000 per week were being withheld from the IAAPS supplier, Rydon Construction. David Hardy suggested that there should be a 'deep dive' into the IAAPS project to review the lessons learned from risk decisions and risk management, and how these could inform future projects. He also offered his personal support, where required, in handling dispute negotiations.

Action: Scheduling of an IAAPS project review and application of lessons learned (COO).

With respect to the pension issues, the Director of Finance reported that the USS triennial valuation for 2020 had a statutory deadline of 30 June for completion but the Pensions Regulator had given the Trustee more time. Whilst it was indicated that the process be concluded by the end of the year, consultation with employers, UCU and employees would test this. He reported that the LGPS (Local Government Pension Scheme) had closed to new joiners on 1 June and new staff on Grades 2 – 5 would now join the University of Bath Group Pension Plan (UoBGPP), a defined contribution pension scheme.

1.3 Update from Chief Operating Officer

The Chief Operating Officer reported as follows:

- There were low rates of Covid-19 on campus but it had been a testing time with student parties resulting in the normally positive student/Security Staff relations being put under strain. He commended the actions of Security Staff in difficult circumstances. The lateral flow testing to pick up asymptomatic cases continued to pick up a few such cases.
- The campus summer activities were rebuilding community life and any lessons learned would help to inform the approach in the autumn.
- The return of staff was subject to ongoing preparation for safe occupation. It was intended to recover space from professional service functions for alternative use. By the autumn, it was hoped to provide a vibrant campus community.
- The level of cyber-security risks had increased (see below (3): Internal and External Incidents), with specific intelligence from JISC on 25 and 27 May indicating a severe ransomware attack was possible; urgent action had been taken leading to shut-down of VPN links over the Bank Holiday week-end and introduction of multi-factor authentication for access to systems. He commended the work and leadership of Mark Acres, IT Security Manager, during a difficult couple of weeks for the University.

1.4 Update from the External Auditor

The External Auditor reported as follows:

- The government's consultation on expanding the definition of a public interest entity, which was part of the review of the corporate governance and audit oversight framework (ARAC minute 1671 refers at 1.4), was ongoing to 8 July 2021. If the public interest entity definition was extended to include universities, putting them under the remit of the audit regulator, there would be increased compliance and associated costs and complexities. The review followed the collapse of Carillion and Valerie Patisserie, and might lead to UK corporate governance regulations becoming more in line with US regulations under the Sarbanes Oxley rules (SOX). Jonathan Bound encouraged members to engage with the process given the impacts of proposed change (further information [here](#)).

2) Programme of Work 2021/22 - [Paper A20/21 - 063](#)

The External Auditor and Head of Internal Audit confirmed that the programme was consistent with others in the Sector and they were content. Charlotte Moar urged that all annual reports should include forward priorities and the workplan ensure that there was an appropriate balance of academic and non-academic risks. It was agreed that there should be a risk presentation from the PVC (Education) in March 2022. ARAC **approved** the programme of work.

3) Internal and External Incidents

Alex Butler, Chief Digital and Information Officer, joined the meeting to report on the cyber-security posture of the University. She reported that the Organisational Resilience and Business Continuity

Manager had very recently taken up post and further improvements to cyber-security were ongoing. The University had continued to react to threats: most recently, the heightened intelligence alerting the University to a potential ransomware attack. Since the start of 2021, thirteen other universities had been subject to such attacks. Intelligence from JISC and the National Cyber-Security Centre had led to the decision being taken to reset all staff and student passwords and to introduce multifactor authentication (MFA), along with a temporary reduction in hours staff could access VPN and remote desk top facilities. Remote access facilities had been unavailable over the Bank Holiday week-end whilst work was being undertaken. It was reassuring that the system had not been breached and data remained protected. The University had signed up to alerts from the National Cyber-Security Centre to benefit from enhanced monitoring.

The Chief Digital and Information Officer and the teams across DDaT were commended for their work. The Chief Digital and Information Officer reported that the incident had indicated the need for Cyber-Security Champions across the University to reinforce protocols and she highlighted the need to review data governance processes. The service had proved resilient but further testing of critical systems, back-up and recovery of information needed to be undertaken.

With the agreement of the Committee, the Cyber-Security Report was taken as the next item (Paper A20/21 – 073).

1689 – Cyber-Security Risk: Progress Report - Paper A20/21 - 073

The Chief Digital and Information Officer reported that weaknesses identified during the simulated ransomware exercise continued to be addressed. This exercise had placed the University in a good position to deal with the recent threat. The University had met the requirements for the NHS Data Security and Protection standard, which meant that the University could move forward with further research partnerships with health providers. However, work had made clear that no single technical cyber security standard would meet the Information Security requirements of the University and, therefore, a combination of measures drawing from several technical standards would be pursued for the wide range of activities that the University was undertaking.

The format of cyber-security training was being reconsidered to propose a more flexible approach with bite sized, more regular training sessions. The External Auditor offered support from the PwC Cyber Team.

In the course of discussion, the following points were made:

- Whilst consultation was important, it was essential to be clear and uncompromising about what action people needed to take;
- The consequences of a breach of security needed to be understood by members of the University community to encourage their vigilance and action; and
- There should be a plan to return red risks to amber/green albeit the environment would mean a fluctuating level of severity.

ARAC **noted** the report and thanked the Chief Digital and Information Officer for attending.

1690 – Accounting Policies - Paper A20/21 - 064

The Deputy Director of Finance presented the report on Accounting Policies which were proposed to be incorporated into the Annual Report and Accounts 2020/21. He noted that no new policies were proposed but minor changes had been made to two policies: the Accounting for Retirement Benefits Policy and the Going Concern Policy. The wording in relation to the Going Concern Policy, which

referenced the financial position at the end of the year, would be refined after final results were confirmed.

In respect of IAAPS, the Director of Finance reported that the External Land and Buildings Valuer might seek to value the new building at market value cost albeit it was located on a science park; University academic and support buildings on campus were valued on the basis of depreciated replacement cost. The Deputy Director of Finance was asked to report to the Committee on any material differences in the valuation of land and buildings given that this was the first valuation of the University estate undertaken by Carter Jonas.

The Deputy Director of Finance was encouraged to ensure that the note on going concern contained sufficient detail.

ARAC **approved** the consolidated accounting policies for 2020/21.

1691 – PwC’s Audit Strategy - Paper A20/21 - 064

The Committee **considered** PwC’s external audit plan for audit of the 2020/21 University accounts.

The External Auditor set out the scope of the work to include the financial statements of the University and its consolidated Group and an audit opinion on the University’s subsidiary company, IAAPS Limited. As previously, non-audit work was limited to a US loans audit and loan covenant compliance reporting.

The key risks were set out: fraud, ability to continue as a going concern, pensions liability and valuation of tangible fixed assets. A further area to monitor might be liquidated damages in relation to the IAAPS project.

ARAC agreed to:

- **approve** the PwC audit plan for audit of the 2020/21 University accounts.

Jonathan Bound then withdrew from the meeting.

ARAC agreed to:

- **recommend** to Council the payment of fees of £88,100 (excluding VAT).

1692 – Internal Audit Strategy 2021-24 and Audit Plan 2021-22 - Paper A20/21 - 066

ARAC **considered** the three-year programme and the Audit Plan for the next academic year, noting that the final version would be submitted to the September meeting after the University’s Risk Register and Risk Management Plan had been approved by Council.

The Head of Internal Audit drew attention to:

- The plan still included operational audits relating to the post-Covid transitional phase;
- There had been development of work association with data analysis;
- Risks areas represented a balance of academic and non-academic areas, including Teaching & Learning, Research Integrity – Concordat and the associated ethical approvals process, IAAPS, Student Recruitment, Student Disability, Data Governance and follow-on work on Cyber-Security.

In response to questions, Tom Stanton confirmed that:

- The Academic Staff Recruitment would include review of retention of staff as part of assessing the effectiveness of recruitment;
- The post-audit questionnaire would pick up whether improvements to service had resulted from recommendations made as part of the audit;
- Resources were sufficient to ensure that no significant area of risk had had to be deferred;
- Timing of audits could be adjusted to take into account any emerging considerations; and
- The Auditable Areas set out in Appendix A would be refreshed in line with the new University Strategy and extended to provide a more comprehensive profile of risk areas.

The Vice-Chancellor confirmed that he was content with the audit plan for 2021/22.

1693 – Status report on internal audits - Paper A20/21 - 067

The Committee **noted** the status report on the progress of Internal Audit reports. The IAAPS audit had been deferred to 2021/22 but the programme was otherwise on track.

1694 – Internal Audit Report: Student Complaints & Discipline - Paper A20/21 - 068

The Committee **considered** the Internal Audit Report. The Head of Internal Audit reported that there was an increasing amount of best practice guidance and consultations were being conducted; thus the University would need to continue to monitor this area. It was noted that the restructuring of the Student Complaints process was an area receiving attention; office level support had increased and sharing of the senior management workload with respect to student discipline and appeals cases was proposed.

It was noted that resource for this area had remained relatively level despite the increasing number of complaints and discipline allegations and best practice might need to increase resource allocation.

Action: The University should maintain careful watch that there was sufficient resource provided to this area so as to ensure best practice could be appropriately applied.

1695 – Internal Audit Report: Legionella - Paper A20/21 - 069

The Committee **considered** the Internal Audit Report. The Head of Internal Audit reported that the legionella control environment was complex and the engagement of an independent Authorising Engineer had provided a useful reference point for the University to confirm that it was operating the control environment in line with legislation and best practice. The ongoing working practices would need to be kept under review as the University decided on future working practices.

In the course of discussion, it was noted that previous audit reports had highlighted incomplete data sets and records across some operations. The Chief Operating Office reported that the Director of Estates would be undertaking a review over the summer with a report anticipated in the autumn. The IT systems in some areas needed reform but weaknesses were being fixed as they were identified.

1696 – Internal Audit Report: Financial Controls - Remote working - Paper A20/21 - 070

The Committee **considered** the Internal Audit Report. The Head of Internal Audit reported that the investigation had covered the adequacy and effectiveness of the University's arrangements for managing the risks relating to the Financial Controls affected by remote working as a result of the Covid-19 pandemic. This area would need to be kept under review as the University determined future working practices for staff and the potential introduction of more flexible working and change of use of office space.

1697 – Internal Audit Report: Consumer Regulations – Paper A20/21 - 071

The Committee **considered** the Internal Audit Report. The Head of Internal Audit reported that the University had achieved compliance with consumer regulation for the 2020/21 academic year but had learned lessons around consistency of use of terminology in communications to students to reduce any ambiguity. The Director of Policy, Planning and Compliance reported that teaching arrangements had concerned some students and 23 complaints had been received over the academic session, of which nine had been received since Christmas. Most were being resolved at the Stage 2 point but a very small number might progress to Stage 3 of the complaints process.

ARAC passed on their congratulations to all those who had managed to ensure a good learning experience for students.

1698 – Risk Management Progress Report – Paper A20/21 – 072

The Committee **considered** the Risk Management report from the Director of Policy, Planning and Compliance. Further to the last meeting, Dr Kemp reported that University Executive Board had considered the dashboard approach to monitoring risk and agreed to pilot it in three areas: student recruitment, disciplinary cases and student mental health problems.

The draft Strategic Risk Register at Appendix 4 reflected the new University Strategy with inclusion of enterprise as a risk area. The older HEFCE model of the Risk Register was being updated to include a wider span of risk. The Climate Action Framework risks had been incorporated within risk areas.

The ISO standard governing effective risk management had been followed and the report included reference to risk appetite. It was proposed to review the Risk Register again in the course of 2021/22 with a view to reducing risk in line with the business impact analysis approach. The appointment of a new Organisational Resilience and Business Continuity Manager would facilitate this piece of work.

In the course of discussion, the following points were made:

- Articulation of the target risk would facilitate understanding of the current net risk;
- The dashboard approach might focus attention more easily on key risks and facilitate summary reporting which would be more helpful to ARAC;
- Responsibilities across Committees and individuals for monitoring areas of risk and providing assurance needed to be clearer with appropriately detailed information being provided, as required, to those with responsibility; and
- The recovery path from being a red risk category to a green risk category needed to be shown along with timescales (by way of example, the multiple and complex impacts of Covid-19 on the financial position).

ARAC agreed to:

- **recommend** to Council approval of the Strategic Risk Register and Risk Management Plan for 2021/22 and include in the report a summary of the comments made at the meeting; and
- **recommend** to Council approval of the interim update of the Risk Management Strategy.

ARAC **noted**

- - the update on risk mitigation activities in the Risk Register and Risk Management Plan 2020/21, for which no changes for net strategic risks were proposed; and
- - the updated Operational Risk Register.

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

1699 – BUFDG Audit Survey – Paper A20/21 - 074

The Committee **considered** the Audit Survey, noting that the External Audit and Internal Audit services provided good value for money.

ARAC **agreed** to include an evaluation of overall satisfaction and value of both functions in the annual reviews, consistent with the BUFDG questions.

1700 – Whistleblowing – Paper A20/21 – 075

ARAC **approved** the procedure for raising serious concerns (Whistleblowing) as set out in the paper.

1701 – Any other business

Charlotte Moar said that the process for the recruitment of an independent members should be informed by a skills mapping exercise to identify skills, experience and any gaps. Whilst the advertisement, role description and person specification had been shared with the Committee, the process for recruitment had not.

The Chair formally recorded the Committee’s thanks to Steve O’Donoghue who would be stepping down at the end of the current academic year and to Tim Ford for chairing ARAC up until the current meeting. She thanked everyone for their contributions.

1702 – Training opportunities

The Committee **noted** training opportunities:

- [Advance HE](#)
- [PwC Governor Programme](#)
- [BDO Events and Webinars](#)

1703 – Dates of Meetings

The Committee **noted** dates of meetings in the 2021/22 programme, as follows:

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

It was requested that the dates be re-circulated to ensure that members were still free to attend.

The meeting concluded at 1.30 pm
