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**Meeting:**                   **AUDIT AND RISK ASSURANCE COMMITTEE**

**Date and Time:**       **Wednesday 10 June 2020 at 11 am**

**Venue:**                   **Virtual via Zoom**

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**Present:**

Mr Tim Ford	Chair
Mr Alex Bayliss	Appointed member
Mrs Christine Gibbons	Lay member of Council
Mrs Charlotte Moar	Lay member of Council
Mr Steve O'Donoghue	Appointed member

In attendance:

Mr Jonathan Bound	PwC
Dr Mark Ellis	PwC
Ms Lucy Fitzsimmons	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

Attendance for specific items of business only:

Dr Nicky Kemp for Minutes 1588 – 1593	Director of Policy, Planning and Compliance
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Secretariat:

Ms Clare Henderson	Secretary
Mrs Charlotte Murphy	Member of Secretariat

Apologies:

Professor Dot Griffiths	Lay member of Council
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**1588 WELCOME**

The Chair welcomed members of the Committee, Mr Keith Zimmerman, Chief Operating Officer, Dr Nicky Kemp, Director of Planning, Policy and Compliance, and members of PwC to the meeting.

**1589 DECLARATIONS OF INTEREST**

No declarations of interest were made.

**1590 MINUTES OF PREVIOUS MEETING**

The minutes of the ARAC meeting of 01 April 2020 were **approved** as a correct record (Paper A19/20 – 062). They will be signed by the Chair.

**1591 MATTERS ARISING**

**1. Minute 1511, Business Continuity internal audit report**

The Committee noted that the Audit Programme for 2020/21 included a report on the lessons learnt from Covid-19 and that other audit points relating to business continuity would be followed-up in the normal way.

**2. Minute 1579, Status Report on Audit Points: IT Disaster Recovery**

The Committee noted that outstanding audit points would be reviewed over the summer to check whether they remained valid or had been superseded by other developments. The mechanism for chasing open audit points would also be reviewed.

**3. Minute 1584, Accounting Policies**

Further to Finance Committee approval of the revised Intangible Fixed Asset accounting policy at its meeting in April, the Committee noted the revised wording for the Intangible Fixed Asset accounting policy and the full list of accounting policies to be used in preparing the 2019/20 Annual Report and Accounts (Paper 19/20 – 063).

**4. Minute 1585, ARAC assessment of effectiveness**

4.1 The Committee noted that a paper clarifying the respective roles of ARAC and Finance Committee with regard to the processes of strategic financial planning would come to the September meeting.

The Director of Finance reported that he would prepare a paper which would be submitted to the Chairs of both Finance Committee and ARAC for comment and then to the Committees for consideration at their first meeting of the year. This would allow any changes to Terms of Reference to be considered alongside the annual review by each Committee of their Terms of Reference.

4.2 The Committee considered the action plan to address survey scores that fell below 3 (Paper A 19/20 – 064). The Chair proposed that the Committee keep under review implementation of actions and their effectiveness in addressing areas of weakness.

**Sec**

It was noted that lower scores reflected concerns that the Committee had insufficient understanding of the University's business model and risk appetite and how active review of going concern and viability issues was undertaken. The Director of Finance reported that the five-year planning process included sensitivity analysis that covered the University's ability to continue as a going concern, and that this was also a focus of the External Auditor at this time.

4.3 The Committee noted the current sources of assurance provided to the Committee (Paper A 19/20 – 065).

## **1592 UPDATES: RISK MANAGEMENT AND GOVERNANCE**

### **1. Update from the Vice-Chancellor**

The Vice-Chancellor reported as follows:

- The University had retained its ranking in the Complete University Guide 2021 League Table at 9<sup>th</sup> position
- The University had dropped one place in the overall international QS World University Rankings 2021 from 172 to 173 but this was nevertheless a good result as the ranking of many UK based HEIs had fallen this year. It had achieved a placing of 101 out of 1,000 global universities for employer reputation (rising by 18 places).
- Some of the research laboratories had been open and staff had now produced over 80,000 pieces of Personal Protective Equipment (PPE) for local hospitals and healthcare services. The Department of Physics had been making endoscopes facilitating speedier diagnosis. Specific guidance on how laboratory work could be undertaken was being followed and researchers had returned on a rota basis to enable social distancing. The University had been monitoring the pilot laboratories to ensure participants were safe and compliant in their working environment.
- The Sports Training Village had re-opened its facilities to elite athletes.
- The most significant risks at the current time were:
  - Communications – to ensure focussed and clear messaging
  - Mental health challenges – due to furlough, caring and shielding responsibilities, and the challenges of online and home working. The University had launched a short Covid-19 survey to gauge the wellbeing of staff and to inform the move forward as a University.
  - Financial situation – to ensure that the financial impact of the pandemic was well managed
  - 2020/21 academic year's teaching provision – to provide a quality experience for all new and returning students. A Curriculum Group had been established to model a blended learning

approach.

Campus carrying capacity – to establish the numbers that could be accommodated on campus

Admissions – to attract sufficient students. The outlook on student numbers was good with 3,600 student places confirmed (in comparison with 3,700 last year), which was slightly higher than the Government cap of 3,477. At postgraduate level, there had been a significant increase in applications of c 25%. However, there was an ongoing concern that some students might choose to defer their place or suspend their studies.

Black Lives Matter – to work with students and staff to address issues of racism, equality and diversity in our community. The Vice-President (Student Experience) had met with students and dialogue was ongoing.

## **2. Update from the Director of Finance**

The Director of Finance reported as follows:

- A claim to Government for the 1300 individuals on furlough was approximately £2.5 million at the end of May.
- The financial position was being managed through the implementation of a range of measures including: purchasing restricted to only essential items, the closure of the Pall Mall facility and the recently launched Voluntary Exit Scheme so that the University was confident it would meet loan covenant requirements. However, next year presented significant uncertainty around the number of overseas students starting at or returning to the University and the Covid-19 impact on other income sources so that the operating cash flow and savings plan (£30 million) needed careful management.
- The possibility of a second spike of coronavirus cases presented a continuing risk to plans and the precautionary approach to the University finances should be maintained for the time being.

## **3. Update from PwC**

Dr Ellis reported as follows:

- The University has a strong reputation that will position it well to manage the impact of the coronavirus pandemic.
- PwC will provide a 'going concern' report when the University Accounts are signed-off.
- The University should model the impact of a second spike in coronavirus cases and its resilience to cope; this will in turn inform the 'going concern' opinion.

## **4. Committee Discussion**

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

- The Chief Operating Officer noted that the University would need

to develop an operational plan for a second spike of cases that was flexible in order to provide response in a range of eventualities. It was confirmed that potential gaps in expertise or capacity were being monitored. A new Programme Management Officer had been appointed and specialist advice had been taken from Arup on modelling pedestrian flows into and around the campus.

- The University would face an especially complex situation with regard to 2020/21 admissions and clearing which would need to be carefully managed to ensure that no group or individual was disadvantaged.
- Vigilance was being exercised to manage procurement risks that might arise with the number of new companies that had emerged offering services.
- The Deputy Vice-Chancellor, Pro-Vice-Chancellor (Learning and Teaching) and Professor Tim Ibell were providing strategic leadership for Departments and Divisions adapting their teaching and learning provision for the next Semester.

### **1593 RISK MANAGEMENT PROGRESS REPORT AND RISK REGISTER 2020/21**

The Director of Policy, Planning & Compliance presented Paper A19/20 – 066:

- the Risk Management Progress Report on the risks being managed by the UEB (University Executive Board),
- the coronavirus operational risk register and update on risk mitigation activities in the University's strategic Risk Register 2019/20 and
- the draft strategic Risk Register and Risk Management Plan for 2020/21.

Dr Kemp reported that the UEB had continued its focus on the operational risks related to the Covid-19 pandemic and had suspended review of strategic risks outlined in the Strategic Risk Register. The final report on the risk mitigation activities set out in the 2019/20 Risk Register and Risk Management Plan will be submitted to the first ARAC meeting of the 2020/21 session. The Risk Register will be updated in line with development of the new University Strategy but currently relates to the risks that map to the 2016-21 University Strategy.

Dr Kemp drew attention to the following priorities:

- Collection of belongings by students: some 600 students had not returned to collect their belongings meaning that boxes needed to be sourced and purchased to return these belongings (at an approximate cost of £30,000).
- Risk assessments relating to a return to campus: to date, some research facilities have re-opened and there will be a pilot of face to face teaching in the week commencing 22 June (MBA executive programme), if government guidelines are amended to permit this activity. In particular, sourcing Perspex to screen equipment and for other protective use was proving difficult.
- Use of personal IT and home workstations to support remote

working are not sustainable in some cases for more extended periods: the IT support, health and safety, and procurement implications are being identified.

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

- A loss of accommodation fee income might be mitigated by renting out self-catered space; the carrying capacity of PBSA (Purpose-Built Student Accommodation) under social distancing guidance had been modelled.
- The availability and potential viability of sub-contractors was recognised as a risk. Credit checks were being undertaken. With regard to the bus service to the University, discussions with First Bus and B&NES were ongoing. The service was vital to the University's operation.

Dr Kemp was thanked for her report.

ARAC **agreed to recommend** to Council

- approval of the Strategic Risk Register and Risk Management Plan for 2020/21.

ARAC **noted** that this would be further updated in line with the new University Strategy and any unforeseen Covid-19 issues that arise over the summer months.

ARAC **noted**

- the update on risk mitigation activities in the Strategic Risk Register 2019/20 and  
- the updated Covid-19 Operational Risk Register.

#### **1594 IT SECURITY ENHANCEMENT PLAN**

The Chief Operating Officer presented a report on the cyber-security enhancement plan and new measures put in place in response to Covid-19 working practices (Paper A19/20 – 067).

Mr Zimmerman reported that Identity Management was an area where the University was behind peer institutions and, as such, phishing protections had been prioritised. He reported that Multifactor authentication (MFA), in particular, was an important next step.

ARAC **noted** the report and asked that there should be an update report at the September meeting to include:

- a roadmap of further security enhancements, informed by best practice and supported by the rationale for preferred options addressing cost, specialist support requirements, timeframe for delivery, and any risks.

**COO**

## 1595 DIGITAL TRANSFORMATION PROGRAMME: STATUS REPORT

The Chief Operating Officer presented Paper A19/20 – 067, the Digital Transformation Programme status report (as at 29 May 2020). He reported that there had been significant impact at the strategic level due to Covid-19 and that he had proposed to UEB a new programme of work, the Operational Review Programme. The current environment afforded an optimal moment to introduce the new programme and would enable a review of ways of working and organisational culture which could then influence the approach to Digital Transformation.

ARAC **noted** the report.

## 1596 STANDING ITEMS OF BUSINESS

### 1. Governance Updates

It was noted that governance updates had been placed in the Document Library (ARAC Reading Room) on Convene:

- BUFDG (British Universities Finance Directors Group) **Guide to Understanding University Finances**  
<https://www.bufdg.ac.uk/understanding-finance/a-new-guide-to-understanding-he-finance/> November 2019
- OfS (Office for Students) **Guidance for providers about quality and standards during coronavirus (Covid-19) pandemic**  
<https://www.officeforstudents.org.uk/media/f351a739-6cd6-4310-8f98-a6aa603f17f4/quality-and-standards-guidance-during-coronavirus.pdf> Published 3 April 2020
- CUC (Committee of University Chairs) **Consultation on HE Code of Governance**  
<https://www.universitychairs.ac.uk/consultation-on-the-higher-education-code-of-governance/>  
Consultation closed 13 March 2020  
**Draft HE Code of Governance and Draft Governance Handbook**
- (Subsequent to the meeting, via email circulation) **PwC Governor Programme events:**  
<https://www.pwc.co.uk/industries/government-public-sector/education/higher-education-governor-programme.html>  
Three events 1) Financial Uncertainty, 2) Virtual Learning and 3) Cyber Security.

### 2. Programme of work

The Committee **noted** its programme of work for the next 12 months (Paper A19/20 – 069).

## **1597 STATUS REPORT ON INTERNAL AUDITS**

The Committee **noted** the status report as at 2 June 2020 on the internal audit programme for 2019/20 (Paper A19/20 – 070).

## **1598 INTERNAL AUDIT REPORTS**

The Committee received the following Internal Audit Reports:

1. **Department of Sports Development and Recreation** (Internal Audit Report 01-2019/20) (Paper A19/20 – 071)

It was noted that the University's arrangements for managing the risks related to the strategic operation of the Department of Sports Development & Recreation are reasonably effective. The further development of the University strategy for sport so as to reflect wider University priorities such as research and student recruitment and staff wellbeing remains integral to maximising effectively the benefits offered by the STV facility.

In response to a question on the 3G pitch, the Head of Internal Audit reported that the current 3G training strip was an asset to the University but risked not meeting the need for an underlying 3G pitch facility. It was noted that the process for resource allocation had meant that an extension to the gym had been prioritised by the Students' Union for resource over the 3G pitch. The development of a corporate strategy for sport that links the current DSDR Strategy with wider University strategic priorities was being addressed by the Director of Sport (Stephen Baddeley) and the Vice-President (Strategic External Engagement) (Veronica Hope Hailey).

2. **Financial Statements Preparation** (Internal Audit Report 03-2019/20) (Paper A19/20 – 072)

It was noted that the University's arrangements for managing the risks related to preparation of the Financial Statements are reasonably effective. The Head of Internal Audit noted that the new integrated reporting methodology had led to better timelines for reviewing the draft statements and to an improved annual report document with case studies to demonstrate value. Mr Stanton noted, however, that the development of a new University Strategy and associated KPIs should provide an opportunity to connect the disclosures within the Financial Statements more closely with the activity and purpose of the University.

3. **Consumer Regulations** (Internal Audit Report 04-2019/20) (Paper A19/20 – 073)

It was noted that the University's arrangements for managing the risks related to consumer regulations are reasonably effective. The Head of Internal Audit noted that fieldwork for the report had been undertaken pre-coronavirus pandemic but management



responses to points raised had been made subsequent to lockdown.

He drew attention to the re-establishment of a working group to provide oversight, guidance, training and quality assurance in this area.

Further to a point raised on the reference in Issue 2 to an 'ongoing' target date, the Head of Internal Audit undertook to consider if the timeframe could be made more specific and avoid the use of 'ongoing' actions within the management action plan wherever possible.

**HoIA**

4. **Student Engagement** (Internal Audit Report 07-2019/20) (Paper A19/20 – 074)

It was noted that the University's arrangements for managing the risks related to effective student engagement are reasonably effective. The Head of Internal Audit noted that the appointment of the Vice-President (Student Experience) and development of a Student Engagement Working Group would lead to the opportunity to define greater clarity over roles and responsibilities and to enhancing student engagement based on feedback and sharing a common understanding of good practice.

The Committee **noted** the above reports.

**1599 AUDIT STRATEGY 2020-2023 AND ANNUAL PLAN 2020/21**

The Committee considered the outline audit strategy for 2020-23 and annual plan for 2020/21 as set out in Paper A19/20 - 075.

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

- The plan should be agile to respond to additional and unplanned requests for support from senior management. It was noted that the plan includes 50 days to meet contingencies and will be subject to revision throughout the year to schedule audits at the most appropriate time.
- The plan should be flexibly resourced, with scope for bringing in resources where audits needed to be brought forward or required technical/specialist expertise. The Head of Internal Audit reported that IT audits were contracted out because of the required expertise.
- The plan did not include an audit of the risks associated with the proposals for significant savings over the next couple of years. The Director of Finance reported that he would be taking a summary of savings achieved to Finance Committee meetings, which could be shared with ARAC if requested.

**DoF**

The Head of Internal Audit was encouraged to maintain a dialogue with the Chief Operating Officer to ensure that the Audit Department was able to provide support to the process of change brought about by Covid-19.

ARAC agreed to review the audit strategy for 2020-23 and annual plan for 2020/21 after presentation of the Risk Register at the next meeting of Council. The plan and its resourcing will be considered in September. **Sec**

#### **1600 PwC's AUDIT STRATEGY**

The Committee received the PwC External Audit Plan for audit of the 2019/20 University accounts (Paper A19/20 - 076).

Mr Jonathan Bound presented the audit plan, drawing attention to:

- Key risk areas as set out in Appendix 3. The risks identified included the impact of Covid-19 on the University's ability to continue as a going concern. PwC would review the University's scenario planning, liquidity and ability to comply with loan covenants.
- With regard to valuation of the estate, there was a trend for external valuers to reference a greater error range in valuation reports as a result of Covid-19. This could potentially impact the risk profile of the University and the external audit opinion.

The Chair thanked PwC for their report. He wished Dr Ellis a happy retirement and noted that the Committee looked forward to working with Mr Bound. The PwC members then withdrew from the meeting.

The Director of Finance presented the fee proposal from PwC for audit of the 2019/20 University accounts.

ARAC agreed to:

- **approve** the PwC audit plan for audit of the 2019/20 University accounts and
- **recommend** to Council the payment of fees of £62,900 (excluding VAT).

#### **1601 RETIRING MEMBERS**

The Chair reported that the terms of office of Mrs Christine Gibbons and himself would expire in July and that the membership of ARAC would be reviewed by Nominations Committee and Council in July.

He thanked members for their contributions and Mrs Gibbons in particular for her contributions over five years.

#### **1602 PROGRAMME OF MEETINGS 2020/21**

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

- Wednesday 30 September 2020 \*
- Thursday 5 November 2020

- Wednesday 27 January 2021
- Wednesday 31 March 2021 \*
- Wednesday 9 June 2021

\* These dates are under review to ensure all members can attend the meetings.

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The meeting concluded at 1.30 pm

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