MEETING OF THE AUDIT COMMITTEE
MONDAY 30 April 2018

5th floor boardroom, Senate House, Tyndall Avenue, Bristol BS8 1TH
14:00-17:00

Draft Minutes

Present: Ms Julie Goldstein (lay member), Mr Andrew Poolman (University Treasurer and Chair), Mr Ian Robinson (co-opted member), Mr Andrew Willis (co-opted member)

In attendance: Ms Robin Geller (Registrar and COO), Mr Robert Kerse (Chief Financial Officer), Dr Anett Loscher (Senior Governance Officer and Secretary), Professor Guy Orpen (Deputy Vice-Chancellor), Mr Jason Smerdon (Group Finance Director), Ms Heather Ancient (External Auditor), Mr Richard Bott (Internal Auditor), Mr Ian Davies (External Auditor), Mr Ben Endersby (Internal Auditor)

Apologies: Dr Mary Bishop, Dr John Manley, Professor Hugh Brady (Vice Chancellor), Dr Erik Lithander (PVC International)

1. Welcome and apologies
1.1 The Chair welcomed all attendees to the meeting and noted apologies.

2. Declaration of interests
2.1 Members were reminded that they had an obligation to disclose any pecuniary, family or other personal interest that they had in any matter under discussion at any meeting of the Audit Committee as soon as practicable.

2.2 Officers declared their respective interests as members of the USS pension scheme and pertaining to item 9, CFO update.

3. Minutes of meeting on 29 January 2018
3.1 The minutes of the previous meeting would be corrected to refer to office space being made available on Queens Road; it was further requested that the action pertaining to the lessons-learnt report (Fry Building fire) be assigned to the Registrar. Subject to these amendments, and discussions as recorded in minutes 4.1 and 4.2, the Committee APPROVED as a true and accurate record the minutes of its meeting on 29 January 2018.

4. Matters arising and actions
4.1 At the Committee’s meeting on 29 January 2018, in relation to the student support services in halls, an action was recorded ‘To make the raw consultation data and analysis available as soon as the consultation period was closed’. The Registrar/University Secretary sought clarification regarding which information in particular was being requested and the reason for seeking this information, relative to the role of the Audit Committee.

4.2 The Chair noted that the Committee had agreed the minutes, including the action in question, and affirmed the wide-ranging power of the Audit Committee to request any information relevant to its role. It was clarified that the Audit Committee wished to assure itself that appropriate processes had been used and appropriate consultation had been undertaken in developing and approving the proposed modifications to pastoral support in halls of residence given the risks associated with that model, which included risk to the student experience, risk to student health and reputational risk for the University. It was
AGREED to provide the Committee with a summary of the steps taken, and the information used, in developing the new approach to pastoral support in halls of residence.

4.3 With regards to the action on the external auditors to rotate the senior partner, PwC clarified that as per PwC’s internal process, rotation would be due after seven years. Ms Heather Ancient would therefore sign off this year’s audit, following which the senior partner would rotate. It was noted that Office for Students guidance advises changes in external auditor senior partners occur every ten years.

4.4 There were no further matters arising or actions that were not covered elsewhere on the meeting agenda.

5. **External audit plan 2018/19**

5.1 RECEIVED AUD/17-18/039

5.2 The Committee considered the external audit plan 2018/19, and in particular the following points to which the external auditors drew the Committee’s attention:

- The scope of the external audit would include the external auditors’ statutory opinion on the consolidated financial statements of the University group and four subsidiaries; and non-audit work on grants and returns. The Committee NOTED the scope of the external audit.
- There would be no change to the external auditors’ approach overall; as in previous years, quantitative materiality thresholds would be determined by reference to the University’s total revenues.
- The areas of audit focus included fraud and management override of controls (this as in previous years, and as per the auditing standards); revenue and expenditure recognition; pensions assumption and estimate; tangible and intangible fixed assets, including a specific focus on the Fry building; implementation of new systems; and LVS acquisition. The Committee NOTED the areas of audit focus.

5.3 The Committee heard that the external auditors’ fees were set in view of benchmarking undertaken by the British Universities Finance Directors Group. The fees were proposed in view of the University’s complexities, and the growth that the University had undergone over the course of PwC’s engagement. While the Committee recognised the underlying rationale of the fee setting, it asked for further clarification of how PwC calculated the fees.

**Action (PwC): To provide further benchmarking and brief explanation of how audit fees were calculated.**

5.4 Notwithstanding the request for clarification of how the audit fees were calculated, the Committee APPROVED the external audit plan and audit fee.

5.5 *[REDACTED: likely to prejudice commercial interests]*

5.6 The external auditors had provided the Committee with the publication *Managing risk in higher education: higher education sector risk profile 2018*. It was NOTED that the sector overall perceived ‘reputation’ as one of the top five risks in 2018, whereas it had not featured in the top five risk in the preceding five years.

6. **Mission-critical risk update**

6.1 RECEIVED AUD/17-18/040

6.2 The Chief Financial Officer introduced, and the Committee considered, the University mission-critical risk update. The Committee noted that since it last reviewed the mission-critical risks: *[REDACTED: likely to prejudice commercial interests]*

6.3 *[REDACTED: likely to prejudice commercial interests]*

**Action (Registrar): [REDACTED: likely to prejudice commercial interests].**
6.4 The Committee AGREED that the deep dive into the risks associated with the Temple Quarter Enterprise Campus (TQEC), recommended by the CFO, should be undertaken (paper reference AUD/17-18/043 for more detail).

Action (CFO): To prepare a deep dive into the risks associated with the TQEC.

7. Annual risk review 2018/19
7.1 RECEIVED AUD/17-18/041

7.2 The CFO introduced the annual risk review 2018/19. [REDACTED: likely to prejudice commercial interests]

7.3 The internal auditors confirmed that the University’s risk management compared favourably with comparator institutions, and commended in particular the bottom-up approach whereby individuals would be empowered to take, and own, informed risks. The Committee agreed that the register provided it with assurance that the University Management Team had adequate visibility of risk, and that appropriate processes were in place both to challenge risk owners and to manage risk.

7.3 The Committee NOTED the University’s annual Risk Review and Corporate Risk Register 2018/19, and RECOMMENDED its submission to the Board. The Board would be invited to focus on the risks highlighted as particularly high or urgent, and to monitor the University Management Team’s management of risks. Going forward, Board agendas should include specific consideration of risk at relevant time points in the planning cycle.

Action (CFO, FD): To provide the Committee with the University’s Financial Framework as part of a forthcoming agenda item re stress testing.

8. Annual risk review process 2019/20
8.1 RECEIVED AUD/17-18/042

8.2 The CFO introduced the proposed revised risk management framework, which aimed to align existing risk processes in order to achieve a simplification of the risk management process as an element of day-to-day management, a shared understanding of the University’s appetite for risk, and a consistent and well-articulated escalation process. The Committee was pleased with the proposal and the direction of travel, and commented that:
- further consideration should be given to the articulation and management of the University’s risk appetite – it was appreciated that risk appetite was articulated also in relation to positive risks/opportunities, however this needed reflection in the risk scoring also. It was further observed that risk appetite needed to be pinpointed across the University’s policy framework. The framework should further clearly determine the tolerances associated with each risk; and
- the Board of Trustees would benefit from in-depth introduction to the proposed risk management framework, in order that the Board be enabled to derive appropriate assurances from the risk management process.

8.3 The Committee complimented the team driving the review of the risk management framework on the quality of the information and that of its presentation to the Committee. The Committee further was pleased with the way in which the University’s risk management processes increasingly aligned with the integrated planning process. The Committee ENDORSED the Annual risk review process 2019/20.

9. CFO update
9.1 RECEIVED: AUD/17-18/043

9.2 Members of staff who were members of the USS pension scheme declared interests in discussions pertaining to current pension negotiations.
9.3 The Committee NOTED the financial performance for the first seven months of the financial year 2017/18, and CONSIDERED in particular that: [REDACTED: likely to prejudice commercial interests]

9.4 As per minute 6.4, the Committee AGREED that it would consider in depth the Temple Quarter Enterprise Campus (TQEC) development. [REDACTED: likely to prejudice commercial interests].

10. GDPR report
10.1 RECEIVED and NOTED: AUD/17-18/048

10.2 The Committee moved to consider the GDPR report, scheduled as item 14, at this point in the meeting.

10.3 The Deputy CIO, Dr Rachel Bence, attended for the item and introduced the report which outlined the ways in which the university prepared for the General Data Protection Regulation (GDPR) coming into force on 25 May 2018. The internal auditors, who had reviewed the University’s preparation for this significant event, confirmed that the University was in a good position in the advent of GDPR. [REDACTED: likely to prejudice commercial interests]

10.4 The Committee thanked the Deputy CIO for the report and returned to the agenda as scheduled.

11. Internal audit progress report
11.1 RECEIVED AUD/17-18/044

11.2 The internal auditors presented their progress report about internal audits undertaken since the Committee’s last meeting [REDACTED: likely to prejudice commercial interests]

11.3 The internal auditors outlined planned work over the next months, the outcomes of which would be considered in greater detail at the Committee’s meeting in July.

11.4 The Committee NOTED the internal auditors’ progress report.

12. SLS update report
12.1 RECEIVED: AUD/17-18/045

12.2 The Chief Information Officer (CIO) introduced this report, which the Committee received as a standard item at each of its meetings, and drew to the Committee’s attention the following: [REDACTED: likely to prejudice commercial interests]

12.3 The Committee NOTED the report.

13. ERP update report
13.1 RECEIVED: AUD/17-18/046

13.2 The Committee NOTED the report, in particular the successful launch of ERP, on which it commended the CFO, CIO, and HR Director. [REDACTED: likely to prejudice commercial interests]

14. Fry Building update report
14.1 RECEIVED: AUD/17-18/047

14.2 The Committee NOTED the update report, in particular that:
- a task and finish group, chaired by the DVC, oversaw the mitigations of the effects of the fire. A lessons learnt report was being finalised that would cover the crisis management in the aftermath of the fire, in particular the first 72 hours. The report would help respond better to similar incidents in future.
- [REDACTED: likely to prejudice commercial interests]
15. **OfS regulatory framework**
15.1 RECEIVED and NOTED: AUD/17-18/049

16. **Executive Group Member expenses**
16.1 RECEIVED and NOTED: AUD/17-18/050

16.2 The Committee received this report against the background of substantial public and media interest in executive expenses, and the arising reputational risk. With the introduction of MyERP, it was expected that potential exceptions would be identified early in the process, which would enable challenge and scrutiny. The Committee NOTED the expenses policy, suggesting that the wording clearly differentiate between premium and business class bookings.

17. **Equality, Diversity and Inclusion**
17.1 The Committee agreed that the business discussed during the meeting had reflected appropriately on matters of equality and diversity.

18. **Communication and Consultation**
18.1 The Committee agreed that the business discussed during the meeting had received appropriate discussion and consultation.

19. **AOB**
19.1 There being no other business, the Chair thanked all members and attendees, and closed the meeting.

20. **Date of next meeting:** Monday 16 July 2018, 14:00-17:00 (with the customary members’ lunch preceding the meeting, 13:00-14:00).