

## Audit and Quality Committee

DATE / TIME / VENUE	1230, Thursday 27 September 2018, Board Room, Room 4.18, St Andrew's Court
PRESENT	Frances Morris-Jones, External Governor (Chair) Mark Greenwood, External Governor (up to and including Min 8) Paul Myers, External Governor Professor Nairn Wilson, External Governor (up to and including Min 8)
IN ATTENDANCE	Professor Graham Galbraith, Vice-Chancellor Claire Dunning, University Solicitor (Min 8) Dr Rinat Khusainov, Staff Representative (up to and including Min 7.6) Dr Simon Kolstoe, Senior Lecturer & University Ethics Advisor (Min 6) Chris Randall, External Auditor, Deloitte LLP Paul Thomas, External Auditor, Deloitte LLP Louise Tweedie, Internal Auditor, RSM LLP Emma Woollard, Executive Director of Finance
SECRETARIAT	Adrian Parry, Executive Director of Corporate Governance Annette Bourke, Head of Governance Services

### Private Session

The External Governors, the staff representative, the external and internal auditors held a private session before the start of the main meeting at 1230 hours.

To accommodate the availability of members some agenda items were taken out of order.

### 1. Welcome, Quoracy and Apologies

- 1.1 The Committee welcomed Professor Nairn Wilson, external governor and Dr Rinat Khusainov, staff representative to their first meeting.
- 1.2 Apologies were received from External Auditor: Andy Hornby, Deloitte and Internal Auditor: Lorna Raynes, RSM LLP.
- 1.3 The meeting was confirmed as quorate and no members declared any potential conflict of interest.

### 2. Membership and Terms of Reference and Indicative Committee Business

- 2.1 The Committee was pleased to note that it had delivered its terms of reference during the previous year. The Committee agreed to recommend to the Board the

approval of its Constitution, Membership and Terms of Reference 2018/2019 subject to some minor amendments to correct typographical errors:

- (i) 'Membership at 1 August 2017' should be 'Membership at 1 August 2018';
- (ii) 'External Auditors, Deloitte LLP Sue Barratt' should be External Auditors, Deloitte LLP Andy Hornby'

**[Post meeting note:** The constitution, membership and terms of reference were endorsed at the Board of Governors meeting of 10 October 2018 min 3.4(ii) refers.]

- 2.2 Committee noted and agreed the indicative business of Audit and Quality Committee for the 2018/2019 session with the addition of "Whistleblowing" under the standing items. Committee noted that the paper was an aide memoire which would be updated as necessary.

### 3. Minutes

The minutes of the meeting held on 9 May 2018 were confirmed as a correct record subject to an amendment to Minute 54 adding the following wording "*...as implying that the Board did not also take a systemic view of risk.*" at the end of the minute.

### 4. Matters Actioned Since the Last Meeting or Under Continuing Consideration and Matters Arising

#### 4.1. Matters Actioned

Action was reported on three items for note. The Committee noted that Deloitte would provide further information to the Executive Director of Corporate Governance and the Executive Director of Corporate Governance would also share with Deloitte the work already done on this area.

**Action: Deloitte/ Executive Director of Corporate Governance**

#### 4.2. Matters Arising

There were no other matters arising.

### 5. Chair's Actions

#### 5.1. Internal Audit Fee - **confidential**

#### 5.2. External Audit Fee

Committee noted the Chair's action was for an additional fee for Deloitte that related to the Office for Students (OfS) requirements for auditing and scrutiny of senior postholders' remuneration. The Committee noted the Chair's action taken.

## 6. Research Governance Annual Report

Committee received a report on the University's compliance with the UUK Research Concordat from Dr Simon Kolstoe, Senior Lecturer and University Ethics Advisor. In discussion the following points were noted:

- 6.1. Committee noted that the UUK Concordat outlines commitments for researchers, employers and funders to uphold research integrity and places specific responsibilities for internal processes, dissemination of guidance and training on the employers of researchers.
- 6.2. The Research Council UK (RCUK) and HEFCE were founding signatories of the Concordat to Support Research Integrity. Policies and processes of the former RCUK and HEFCE relating to research integrity continued to apply until further notice.
- 6.3. The UUK Concordat recommended that research organisations should provide a short annual statement to their own governing body.
- 6.4. The University Ethics Advisor stated that there might be an under-reporting of research misconduct, and the Committee supported the actions aimed at raising awareness of research governance.
- 6.5. Committee noted that the report provided a thorough insight into the research activities of the University and were reassured of the University's activities to comply with the Research Concordat.
- 6.6. The Committee agreed this report should be released for publication on the University's website.

## 7. Internal Audit

- 7.1 Progress against Plan 2017/2018: Committee received a summary of the progress of work against the internal audit plan for 2016/2017 and an update on progress against the internal audit plan for 2017/2018 from Louise Tweedie, RSM LLP. In discussion, the following points were noted:
  - (i) There were two assignments due to be completed shortly and these would be received at the next meeting along with the annual report.
  - (ii) The associated briefing provided by RSM LLP included some information on grade inflation on degree classification in the sector. Committee noted that the University had confidence in the grades it awarded. The University had processes in place to ensure quality of awards. In addition, the University published the marks and transcript that showed how a grade was awarded.
- 7.2 Governance (Gifts and Hospitality): the overall conclusion of the audit was reasonable assurance. There were three 'Medium' and three 'Low' priority management actions. One of the medium findings was about communication of the policy. RSM LLP had clarified that

the lack of some individual's awareness of the policy was due to their perception. Committee noted there had been an email to all staff that outlined their responsibility to familiarise themselves with the policy and to make any required declarations. Other additional methods of communicating the policy and its requirements would be considered. It was agreed that the Board should be asked to review periodically the gifts and hospitality register.

- 7.3 Data Quality HESA Staff Return: the overall conclusion of the audit was substantial assurance. There was one management action of low priority relating to the version control over the HR local HESA procedures.
- 7.4 Timetabling Processes: the overall conclusion of the audit was reasonable assurance. There were two 'Medium' and one 'Low' priority management actions. Committee noted that timetabling is very complex and was constantly monitored to ensure it was working correctly. The Committee agreed that to reallocate rooms during the year would not be the right approach as this might create a risk to the student and staff experience. Following discussion, it was agreed that the overall assurance would be changed from 'reasonable assurance' to 'substantial assurance'.

**Action: RSM LLP**

- 7.5 Criminal Finances Act Compliance Arrangements Return: the overall conclusion of the audit was substantial assurance. There were one 'Medium' and six 'Low' priority management actions. Committee noted that this was new legislation and the University was making good progress. The next step would be to communicate requirements to staff; review the procurement terms and conditions; and review the contracts with overseas agents.
- 7.6 Follow up of previous Management Actions: RSM had undertaken a review to follow up progress made to implement the previously agreed management actions. RSM LLP followed up on 35 recommendations and reported that reasonable progress had been made. It was noted that some actions although in progress had passed their original implementation date.
- 7.7 Recommendations Follow-up report: Committee received a report extracted from the 4Action software from RSM LLP. The following points were noted in discussion:

- (i) Committee expressed concerns that a number of the actions were overdue and some implementation dates had been changed without apparent explanation. Committee agreed that managers should carefully consider the feasibility of the completion dates they agreed to. Where recommendations had an implementation date deferred for more than a year the owner would be asked to attend the Committee to explain the reason. RSM LLP would inform the relevant managers.

**Action: RSM LLP**

- (ii) There was an action from the high level advisory review of the Framework for Compliance and Regulatory Requirements: Competition and Markets authority that had been closed on 4 action but RSM had reopened following a review as they were not satisfied that the action had been satisfactorily completed.

- 7.8 Internal Audit Plan 2018/2019

On behalf of the Internal Auditors RSM LLP, Louise Tweedie presented the Strategy and Annual Plan for 2018/2019. In discussion the following points were noted:

- (i) As there was no permanent Pro Vice-Chancellor (Research & Innovation) in post the Research and Innovation audit should be deferred. The Executive Director of Finance would discuss with the Acting Pro Vice-Chancellor to see if there were any areas within Research & Innovation that could be audited at this time or if this audit should be deferred.

**Action: Executive Director of Finance**

- (ii) Gender Pay reporting: it was agreed this should focus on the legislative compliance and not the outputs, however as with other audits benchmarking outcomes against other HE institutions would be welcome.

- (iii) Dates: it was noted that some dates were incorrect in terms of proposed timings and these would be amended by RSM LLP.

**Action: RSM LLP**

- (iv) Data Quality and Usage: HE Business and Community Interaction Survey would be removed and the Student Loan Company added.

**Action: RSM LLP**

- (v) There was discussion about cyber security and data breaches. It was noted that the University was examining its potential exposure to data breaches. The university had recently reported a small number of minor data breaches to the Information Commissioners Office and been told that they were not considered serious breaches that required no action beyond that already taken by the University.

- (vi) There was a discussion about the desirability of undertaking audits of capital projects, given the prominence of the Estates Masterplan activity. Committee noted that there would be a review at Finance Committee in the spring of 2019. It was also noted that an audit of Financial Controls: Large Payments had been included within the audit plan for 2018/19. Management and implementation of contracts would be considered for inclusion in the 2019/20 internal audit plan.

- (vii) Committee approved the Internal Audit Plan for 2018/2019 subject to the amendments discussed in Minutes 7 (i) to (iv).

## **8. Value for Money (Vfm)**

Committee received a presentation from Adrian Parry, Executive Director of Corporate and Governance and Claire Dunning, University Solicitor on Legal Services. In discussion the following points were noted:

- 8.1. In summary Committee noted that the appointment of a University Solicitor and subsequently a specialised employment lawyer had provided a number of benefits

including better management of key projects; stronger management of external lawyers as well as cost savings from undertaking more legal work in house.

- 8.2. There was a discussion on how the Committee wished to consider VFM going forward in line with the OfS expectations on securing VFM for students and a need to focus upon issues and activities of a more strategic nature.
- 8.3. Committee noted that VFM was part of the Committee's terms of reference and assurance came from the audits. It was agreed that there should be a VFM item at every meeting, although this should be pitched at a strategic level and, where possible, have an explicit focus upon securing and enhancing VFM for students.

## 9. The University's Prevent Duty

Committee received a report from Adrian Parry, Executive Director of Corporate Governance which provided an overview of the University's activities to deliver its Prevent Duty and the recent new guidance issued by the Office for Students (OfS) in its role as the monitoring authority for Prevent. The following points were noted in discussion:

- 9.1. The University continued to have due regard for its Prevent duty and that there were no issues to report arising from the delivery of the duty.
- 9.2. The OfS had made changes to the way that it would monitor institutions compliance with the Prevent duty. These changes included the possibility that the University might be inspected at short notice; the OfS intended to test the students' experience of the Prevent duty; and that the OfS might also require data on a more granular level and more frequently.
- 9.3. The University featured as a good practice case study in the recent OfS report on the implementation of the Prevent duty. This had led to contact from other institutions to share information on the University's approach and practice.

## 10. Risk Management

- 10.1 Committee received the Risk Management Policy and noted that it was a requirement of the OfS for the policy to be reviewed and approved annually by the Board of Governors. The policy was significantly reviewed three years ago. In discussion the following points were noted:
  - (i) Committee noted the two revisions proposed.
    - Paragraph 18: the ability to update the register between meetings.
    - Paragraph 20 –to acknowledge the Strategic Technology Projects Board that oversees the risks associated with our IT projects and acts as a first point of escalation for any risks associated with those projects.
  - (ii) The Committee agreed to recommend to the Board the amended Risk Management policy

**[Post meeting note:** The Risk Management Policy was agreed at the Board of Governors meeting of 10 October 2018 min 11.1(iii) refers.]

- 10.2 Committee received and noted the Risk Register from Adrian Parry, Executive Director of Corporate Governance. The following points were noted in discussion:
- (i) Committee noted that the register had been updated to include new risks on the new records systems and their deployment and, as requested at the last Board meeting, potential risks associated with the recently implemented voluntary severance scheme.
  - (ii) It was noted that the risk associated with Brexit was difficult to quantify as the precise nature of the risks were not yet known. It had been categorised as an amber risk on the basis of those risks that the University could mitigate and manage itself, rather than from a UK perspective.
- 10.3 The Committee received and noted the Risk Assurance Map from Adrian Parry, Executive Director of Corporate Governance. The Committee noted this would be updated in the light of the decisions taken on the internal audit plan.

## **11. University: Going Concern Statement**

Committee received for information from Liz Bartle, Deputy Director of Finance, the Going Concern Statement for the University of Portsmouth. The Going Concern Statement for the University of Portsmouth would be received at the next Board meeting on 10 October 2018.

**[Post meeting note:** The Going Concern Statement for University of Portsmouth was noted at the Board of Governors meeting of 10 October 2018 min 12.4 refers.]

## **12. ADVISORY REPORTS**

Committee noted that it had received the following advisory report in soft copy with the distribution of the agenda papers: Consumer Credit Act Compliance Framework.

## **13. Quarterly Report of Non-Audit Services from the Auditors**

Committee received the planned non-core audit services to be provided by the internal and external auditors. Committee noted the services detailed in the report and confirmed that they were appropriate.

## **14. Office for Students (Ofs) Circular Letters**

Committee noted the full list of OfS publications and circulars could be found on the OfS website at: <https://www.officeforstudents.org.uk/publications>.

**15. Date of Next Meeting**

The next meeting would be held on Wednesday 14 November 2018 from 1500.

**16. Delegation of Authority to Chair**

Committee agreed to delegate authority to the Chair to take action on audit business before the next meeting if necessary.