



## ANNUAL REPORT OF THE AUDIT & RISK COMMITTEE 2022/23

### 1. Introduction

1.1 This report outlines updates on control, risk management, governance, data management and value for money matters during the financial year 1 August 2022 to 31 July 2023; it also includes any significant issues that have arisen up until the date of this annual report (19 October 2023). It has been approved by the Audit & Risk Committee for the purposes of assuring the Board of Trustees and the University's Accountable Officer (the Vice-Chancellor, who is accountable to the OfS (Office for Students) on behalf of the Board of Trustees) as to the adequacy and effectiveness of:

- Risk management, control and governance;
- Value for money (VfM); and
- the management and quality assurance of data.

1.2 In particular, the Audit & Risk Committee has taken reasonable steps to assure itself as to the effectiveness of the University's internal audit function and its external auditors, as well as considering evidence-based assurances from the University's management, throughout the reporting period. Additionally, the Committee reported to the Board of Trustees (of which the Accountable Officer is a member) after each meeting to provide assurance to the Board.

### 2. Risk Management

2.1 At its meeting in April 2021, the Committee received a report entitled Risk Management by the Internal Auditor. This internal audit reviewed the design and implementation of the University's Risk Management Framework (RMF), comprising the University Risk Management Policy, Procedures, Impact Scoring Matrix, and risk register template, considering its application at different levels and to different types of risk. In conclusion, the RMF was found to be comprehensive and designed in line with good practice principles. Risk ownership is clearly defined within the Key University Risk Register (KURR) comprising the University's high-level strategic risks. Risk information reported to the University Executive Board, Audit and Risk Committee (ARC), and the Board of Trustees (BoT) is robustly managed and regularly updated by management in line with the framework. It is subject to appropriate oversight and challenge from the ARC and BoT, whose responsibilities are clearly defined. The Committee noted that the internal audit opinion given was reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. The report noted that clearer links between the KURR and detailed supporting risk information would also aid the transparency of KURR risk scoring, enhancing oversight and supporting the effective targeting of internal audit activity in synergy with University change and improvement initiatives. The Committee also considered that the University's Risk Appetite should be refreshed in due course.

2.2 During Spring 2023, the University refreshed its risk appetite documentation and reviewed how the University should determine and assess appetite for risk across multiple risk lenses. The outcomes of this activity were shared with stakeholders across the executive governance meetings of the University, including UEB. At its meeting in June 2023, the Committee received a report entitled Review of University's Risk Appetite Statements. The Committee noted that the Board of Trustees's delegation schedule stipulated that, "approving the

University's risk framework, policies, processes and culture and its appetite for risk" is reserved for the Board of Trustees. "Reviewing the effectiveness of the University's risk framework, policies, processes and culture and its appetite for risk and recommending any changes to the Board" is delegated to the Audit and Risk Committee. The discussion noted that further work was required to consider how an understanding of the University's risk appetite could be further communicated and embedded within the University's operational and strategic decision-making processes. There was a maturing appetite for risk at the University. Currently, the relationship between statements and actual actions is weak in some areas, and improvements would necessarily be iterative. In July 2023, the Chair of the Board and the University Secretary agreed that a session at the Board of Trustees Development Day in March 2024 would be used to discuss and set risk appetite against the strategy objectives with the Audit and Risk Committee, then receiving a paper in June 2024.

- 2.3 The Committee considered the Key University Risk Register at each of its meetings during 2022/23. In October 2022, the Committee approved the removal of the two COVID-19 risks (Academic and Financial Sustainability) from the "red zone". This was as a result of clear communications given to staff and students about plans to deliver education and the student experience in the 2022/23 academic year. Additionally, the opening up of direct flights from China to the UK, improvements in UK visa processing and indications that a significant number of overseas students intended to come to the University.
- 2.4 Reports providing focus on strategic risks took place into the following areas during the year: Student Wellbeing on 17 October 2022, Cyber Security/ Data Loss on 16 January 2023, Inflation on 13 March 2023.
- 2.5 In October 2022, the Committee noted that the Residual risk score for Student Wellbeing had decreased and was no longer in the red zone of the heatmap as had been the case earlier in the previous academic year. A culture of continuous improvement was being embedded within student services. It was underpinned by the new Delivering Excellence for Students (DES) initiative supported by the Student Experience Programme (SEP). These were aligned with the new professional services operating model project. The Committee noted the variety of interventions over a sustained period of several years listed in the paper. It pointed out that the University was now outperforming other universities in this area. The University was seen as an exemplar of best practice within the HE sector, and other institutions often sought advice.
- 2.6 In January 2023, the Committee noted that the Research Pipeline Risk had returned to a red rating. Officers advised that it was a drop in highly cited publications rather than deterioration in research grant applications that were impacting the risk score adversely. It was noted that mitigating activity was underway but there would be a delay in the impact. In March 2023, the Committee sought further assurance in this area noting that the risk around Research Pipeline would not change quickly, notably because there was a long lead time and because different Faculties had different trajectories. The Executive were currently reviewing recruitment and retention strategies, pay and remuneration for senior academics in order to ensure it was in the best position going forward. In June 2023, the Committee were advised the monthly reports on the research application and income pipeline suggested an improved situation and the risk was no longer in the red zone. The improvement was due to effective mitigations including the investment in Research Development resource and the introduction of a research income planning process aligned to and feeding into the Integrated Planning Process (IPP). The risk would continue to be managed and monitored at a more local level (with oversight from the PVC (Research) and Executive Director of Research, Enterprise and Innovation) to check that improvement in income trends were sustained.
- 2.7 In January 2023, the Committee was given assurances in relation to Risk: Cyber Security/ Data Loss. It was noted that work was continuing within the Digital Strategy that improved the University's ability to recover systems in the event of a cyber-attack or other serious outage. The target risk score was based upon limiting impact and not by lowering likelihood.

In the current and highly elevated threat climate and given the high level of legacy infrastructure within the University, several initiatives needed to be completed. These include the implementation of the modern network, transition of services from the legacy environments and the deployment of 'next generation' firewalls. These areas were the responsibility of the Digital Strategy Programme Board with completion due in 2024. The Migration and Transition programme was also focused on risk mitigation through redeployment of legacy systems.

- 2.8 In March 2023, the Committee received a report on the ways that the University was monitoring and responding to inflation including an overview of latest inflation predictions, along with modelling of potential scenarios. In June 2023, the Committee noted that the impact score for this risk had reduced and was now out of the red zone, reflecting conclusion of pay negotiations and progress made in exploring mitigating actions.
- 2.9 At its meeting in June 2023, the Committee noted that the risk entitled Space had been reframed. The score had increased (both for impact and likelihood) and was now in the red zone of the heat map. The risk to the University's ability to "provide sufficient teaching/learning/research/social space and accommodation to support the planned growth" had now evolved to be the ability to deliver "the required maintenance, renewal and development of the existing Campuses and forge the delivery of the Campus Framework".
- 2.10 In July 2023, the Committee received via email a paper entitled Institutional Exposure to China in the context of international student recruitment. The paper had been included on the agenda for the Board of Trustees on 7 July and outlined the University's assessment of the risks relating to its institutional exposure to China in the context of international student recruitment; the context within the UK HE sector; and the mitigating actions which were in place to reduce the risk rating related to this newly added risk entitled International Students. The paper provided an update on the University's current international student composition, from the last paper received in September 2022; outlined the relative position to the Russell Group; and set out the mitigating actions which have and are being put in place to both protect the share of international students from China and diversify the University's international student community.
- 2.11 Regarding TQEC, the Committee was given assurances via the Key University Risk Register Report at each meeting during the year (2022-23) that appropriate action was being taken by management with regard to risks associated the TQEC new campus development, these remained outside the red zone for the entire year (2022-23). The Committee held a briefing meeting on 10 March, an ordinary meeting on 13 March and an extraordinary meeting on 16 March to ensure full discussion and understanding of the TQ Phase 1 commitment decision as it related to the Committee's own delegated authority and terms of reference. In conclusion, the Committee agreed to provide assurance to the Board of Trustees to go ahead with signing the Phase 1 TQ contract on the basis that the Audit & Risk Committee members were comfortable with the governance and risk management arrangements. At its meetings in March 2023, the Committee received additional assurance (third line of defence) via RSM who, through Delivery Confidence Review assurance, rated the programme "green" in February 2023. In June 2023, the Committee noted that following Board of Trustees' approval and the signing of contracts for CM1 construction on 30 March 2023, the likelihood of "significant adverse change to the costs and/or time to complete TQ Phase 1 development" had reduced. The signing of contracts throughout the supply chain provided protection to the University against inflation through fixed-price work packages. Whilst risk cannot be fully mitigated within the programme due to external factors, further planned controls included: agreeing programme portfolio and student numbers for CM1 with Deans; the implementation of post contract award Delivery Confidence Review actions in line with action plan; establishment of a procurement workstream to deliver equipment that sits outside of main construction contract; and the

recruitment of additional programme roles. Scenario planning and stress testing continued by way of contingency planning.

- 2.12 The University's risk management processes have developed during the year, and the Committee has provided continuous comment and feedback. The aim was to improve the way that risks are managed on the ground, provide a consistent framework for managing risk at these levels, and operationalise the risk escalation process. The University has sought to move onto more detailed consideration of risk appetite as the University's risk culture becomes more mature. As part of the integration of risk management, the framework ensures that risk is embedded in the University's integrated planning process.

### *Conclusion*

- 2.13 The Audit Committee is satisfied with the progress made over 2022/23 and up to the date of this report in developing the University's risk management arrangements, which are now in a substantially stronger position, and that controls to manage risk have been in operation.

## **3 Controls**

- 3.1 Key sources of assurance that the University is maintaining a robust system of internal control are outlined below.

### *Internal Audit*

- 3.2 The University's internal audit services for 2022/23 were provided by a co-sourced model with RSM acting as the Head of Internal Audit and the University providing the majority of internal audit staff to perform the audit field work.
- 3.3 The University's 2022-2025 Internal Audit Strategy (agreed by the Audit and Risk Committee on 27 June 2022) set out the approach to be taken. The proposed programme of work sought to provide assurance across the following four specific areas: meeting the assurance needs of key stakeholders; providing on-going assurance over the University's business as usual activities; providing assurance over major change programmes and/or new systems or processes; providing assurance over the major risks facing the University (including the impact of the war in Ukraine and those still prevalent from the Covid-19 crisis).
- 3.4 The Committee emphasised the necessity of in-depth audits to provide adequate assurances in key risk areas. Audit & Risk Committee received, challenged and approved a revised version of the Internal Audit Plan 2022/23 Update Report at each meeting in the academic year 2022/23.
- 3.5 On 19 October 2023, Audit & Risk Committee will consider the Internal Audit – Report of Annual Opinion 2022/23. At the time of writing, 19 reports had been completed by RSM between September 2022 and September 2023.
- 3.6 Of the 102 actions identified throughout the year, 1 (1%) was a high priority. These findings reflected serious internal control or risk management issues in their respective areas, each carrying a risk of substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines. The high-priority action was included in the Report "Key HR Controls- Staff Development and Essential Training", reported to the Committee on 19 October 2023 and covered the following areas:
- Line managers have responsibility for ensuring that their team members complete essential training, however, essential training average completion rates were far lower than the expected figure. The audit found that line managers were in some instances unaware of their duties or did not know about or use the tools in place to track the

completion by their team. Where mandatory training is not completed there is a risk that the University is not meeting regulatory requirements, particularly in respect of health and safety / fire safety.

- 3.7 The Committee noted during 2022/23, the work of the internal audit team had continued to challenge the management team due to RSM's focus on end-to-end processes, strategic alignment, and seeking the underlying causes of issues identified in specific areas.
- 3.8 The Committee noted that during 2022/23, the University had continued to use the 4Action system for tracking the completion of internal audit actions. The system allows action owners to update progress, attach evidence of completion and prompt when due dates are imminent; and also provides senior leaders with a University wide view of internal audit actions.
- 3.9 In June 2021 it was agreed that the Chair of the Audit and Risk Committee would be asked to agree extensions to deadlines for high priority actions and the Committee would then be informed at each meeting. This would allow the action owners within the University management structure to respond in a timely fashion both in terms of reasons for extensions and limiting the extent of any extensions. In October 2021, it was agreed that further improvements should be made to the Report going forwards to more clearly demonstrate that any extensions to high priority actions had been sought and agreed. Both of these improvements were maintained through the academic year 2022-23.

#### *External Audit*

- 3.10 External audit services were provided by PricewaterhouseCoopers LLP (PwC), Audit and Risk Committee recommended to the Board of Trustees that they be appointed as the external Auditor of the period 2022/23, this was subsequently agreed by the Board of Trustees. The external audit management letter of PwC was considered by the Audit and Risk Committee on 19 October 2023.
- 3.11 In the report, PwC reported the significant findings from the 2022/23 Audit. The report set out matters arising from PwC's audit of financial statements, for the University of Bristol and its subsidiary companies, for which reporting is required as part of both the terms and conditions of funding for higher education institutions for the period to 31 July 2023 (OfS 2022.38) issued by Office for Students ("OfS") and Terms and conditions of Research England grant (RE-P-2022-01) issued by Research England (together "the terms and conditions of funding") and International Standard on Auditing (UK) 260 'Communication of audit matters with those charged with governance'.
- 3.12 In the report, PwC reported on the University's financial statements, the application of funds by the University, and whether the requirements of the regulator's accounts direction had been met. PwC confirmed that its audit work had been substantially completed and that it expected to issue an unmodified audit opinion on the financial statements in November 2023.
- 3.13 The Audit and Risk Committee considered PwC's Management Letter for 2022/23 at its meeting on the 19 October 2023. No significant control issues were raised by PwC. Furthermore, at its October 2023 meeting, the Committee considered the financial statements with the External Auditors, the Vice Chancellor, the Chief Financial Officer and the Registrar & University Secretary. The 2022/23 Management Letter and Letter of Representation will be considered by the Board of Trustees on 16 November 2023.

#### *Other source of assurance*

- 3.14 On 19 October 2023, the Audit and Risk Committee received the Annual Fraud Report 2022/23 and noted that there had been no incidents of successful fraud perpetrated against the University over the last academic year. The Committee noted actions undertaken by the University to prevent fraud.

- 3.15 In 2020/21 the Committee noted that an annual report to the Audit and Risk Committee on public interest disclosures would increase the visibility and transparency of the whistleblowing procedure to the non-executives. It was noted that there were no new agreements in 2022/23 to disclose, so an annual report to Audit and Risk Committee in October 2023 would not be required. In March 2023, the Committee received a Whistleblowing Report for the period 1 April 2022 – 27 February 2023. In June 2022, the Committee approved a revised Whistleblowing Policy for implementation from 1 August 2022 and noted that Audit and Risk Committee would be informed annually of all disclosures reported via the Policy regardless of the degree to which a case advanced. The Audit and Risk Committee considered that these reports with the policy, together with other University policies provided an adequate and robust framework to safeguard the University's interests.

#### *Conclusion*

- 3.16 The Audit & Risk Committee considers that an adequate framework for internal control has been in operation for financial year 2022/23 and up to the date of this report. The Committee has been assured by management that appropriate action is being taken to address any weaknesses identified by both the internal and external auditor. Additionally, the Committee noted that no major control failings had been identified by management during the year.

#### **4. Governance**

- 4.1 The Board of Trustees conducts its business in accordance with legal requirements (The University is subject to Charity Law), and best practice in higher education and corporate governance. The University and its Board adheres to the University Charter, Statutes and Ordinances and the following governance codes, principles and regulatory framework:
- Bristol University Charter, Statutes and Ordinances
  - Committee of University Chairs Remuneration Code
  - Office for Students (OfS) Public Interest Governance Principles
  - Office for Students Regulatory Framework for Higher Education in England
  - Committee on Standards in Public Life – 7 Principles of Public Life
- 4.2 During the year ending 31 July 2023 the Audit & Risk Committee and the University has complied, and fully applies with the guidance to universities in particular the CUC (Committee of University Chairs) Governance Code of Practice issued in December 2014 (the "2014 CUC Code"), desktop reviews ensured that this was the case. In September 2020, a revised Higher Education Code of Governance was issued by the CUC. At its meeting in November 2020, the Board of Trustees received an analysis of compliance and approved the formal adoption of the CUC HE Code.
- 4.3 In May 2020, the CUC issued its Higher Education (HE) Audit Committees Code of Practice. The University's Governance Team reviewed the level of alignment between the Audit & Risk Committee and the Code. On 21 October 2020, the Committee received an analysis of compliance and noted that the University was compliant with the revised CUC HE Audit Committees Code of Practice but could make improvements in some areas, relevant actions were then taken forward and completed.
- 4.4 In October 2019, the requirement to report all Reportable Events and Serious Incidents to each meeting of the Committee and to record all incidents in the Committee's Annual Report was added to the Committee's Terms of Reference. In 2022/23, the following Reportable Events were registered with the OfS, there were no serious incidents:
- A new campus – construction of Phase 1 of a new University Campus at Temple Quarter in Bristol

- 4.5 In January 2022, the Committee received a report set out the requirements and guidance in the Office for Students' (OfS) Terms and Conditions of Funding for Higher Education Institutions and Regulatory Framework in relation to 'reportable and material adverse events and the proposed procedure for identification of and dealing with such reporting. The Committee approved the amendments that had been made to the report since the Committee last approved an equivalent paper at its meeting in October 2019 and confirmed that the proposals provide adequate assurance in relation to the requirements set out. It was noted that in Autumn 2019, the OfS had advised that a new Regulatory advice 16: Reportable events would apply from 1 January 2022. In March 2022, members of UEB received training on the Framework, its interpretation and application from the law firm VVV.

*Conclusion*

- 4.6 The Audit and Risk Committee is satisfied with the adequacy and effectiveness of the University's governance arrangements.

**5. Review of arrangements for promoting economy, efficiency and effectiveness – Value for Money (VfM) Strategy 2017-2023**

- 5.1 In September 2019, the Board of Trustees on the recommendation of the Audit & Risk Committee approved the University's Value for Money Strategy 2017-2023, which had been updated in response to the requirements of the OfS Regulatory code. In November 2022 and November 2023, the Board of Trustees approved on the recommendation of Audit & Risk Committee, the University's Value for Money Statement for publication in the University Annual Report.

- 5.2 The OfS requires Higher Education providers to apply proper processes that ensure effective accountability and secure value for money. The 2022/23 Value for Money report assessed the Value for Money ("VfM") the University offers to both students and tax payers across a series of key performance indicators (KPIs) that were agreed with the Board that drive VfM improvements across "Economy" (how our costs compare to others), "Efficiency" (how our performance compares to others) & "Effectiveness" (outcomes). There had been significant work done during 2021/22 and 2022/23 as the University continued to react to the Covid-19 pandemic and ensure that it was still offering value for money. The report set out additional initiatives for 2022/23 to further enhance the value for money offered. In its Value for Money Report for 2022/23, the University renewed its strategic aim to achieve a world-class standard of teaching and research by managing resources effectively and efficiently. The University aimed to invest as much income as possible to ensure that it was delivering the highest quality teaching possible and achieving the greatest possible impact through its research. This approach helps to ensure that it delivers value for money to students, the taxpayer, and other stakeholders.

*Conclusion*

- 5.3 The Audit & Risk Committee is satisfied with the adequacy and effectiveness of the University's Value for Money (VfM) arrangements and notes the opinion of the Internal Auditor ('reasonable assurance') that activities and controls relating to VfM in the areas they examined were, subject to the timely implementation of recommendations made, suitably designed to achieve the specific VfM objectives of the University.

**6. Management, control and quality assurance of financial data submitted to HESA, Office for Students and other funding bodies.**

- 6.1 During the year the following financial and data returns were submitted to OfS and HESA.

Return	Body	Return date
Annual Assurance Return	OfS	1 December 2022
Signed Audited Financial Statements	OfS	1 December 2022
Audit Committee Annual report	OfS	1 December 2022
External Audit Management letter and management responses	OfS	1 December 2022
Internal Audit annual report	OfS	1 December 2022
Value for Money Statement	OfS	1 December 2022
Annual Academic Quality Assurance report	OfS	1 December 2022
Annual sustainability assessment (optional)		
Transparent Approach to Costing (TRAC) return	OfS	31 March 2023
Transparent Approach to Costing for Teaching (TRACT) return	OfS	not required in 2022/23
Finance Record	HESA	1 December 2022
Higher Education – Business and Community Interaction*	HESA	31 January 2023
Five-year Financial Forecasts	OfS	1 December 2022
Commentary on Financial Forecasts	OfS	1 December 2022

- 6.2 All financial returns were reviewed by the Senior Finance Team prior to Submission, with the majority being considered through Finance and Infrastructure Committee and the Board of Trustees. There were no significant queries raised by OfS or HESA on the returns submitted.
- 6.3 In April 2020 an internal audit entitled Key Financial Controls: Regulatory Requirements was completed. RSM provided reasonable assurance and agreed five medium priority actions with management. The audit sought to evaluate the adequacy and effectiveness of control over the financial regulatory returns. Specifically, the processes, control frameworks and assurance mechanisms in place around the governance, compilation, review and sign-off for the Office for Students (OfS) annual financial return, the Transparent Approach to Costing (TRAC) return and the Higher Education – Business and Community Interaction survey (HEBCIS). It was noted that submission of the regulatory returns was centrally co-ordinated by the Senior Team Executive Office, with returns assigned to the appropriate business areas to complete. The governance and formal sign-off processes differ for each return, some to University Executive Board (UEB) and Audit Committee whereas others were signed off locally before presented to the Vice-Chancellor for formal approval.
- 6.4 In June 2022 an internal audit entitled Key Financial Controls: Balance Sheet Controls was completed. RSM provided reasonable assurance and agreed two medium priority and three low priority actions with management. The audit considered the mechanisms in place surrounding the University's balance sheet in MyERP, including overarching controls over the structure and reconciliation of the balance sheet and the information flows and assurance mechanisms in place to ensure that all material items are accounted for accurately and in a timely manner. (The audit did not seek to provide assurance on the material accuracy of the values stated in the balance sheet itself.) The mechanisms observed for managing the University's balance sheet were working effectively at ensuring sufficient transparency and accuracy over its assets, liabilities and reserves. The University had a control framework of checks, balances and reconciliations in place over the values in its balance sheet, and these were operating effectively. Some areas were identified where policies and responsibilities could be more clearly defined, and existing processes reviewed, to further improve the mechanisms in place for ensuring that the institution's financial position was accurately stated.
- 6.5 During the year the University was audited by the following external research grant bodies and was found to be compliant with regard to these organisations' requirements.
- US Federal Grant Audit (Annual Grant Audit)
  - European H2020 Grant Audits (Individual Grant Audits)



- Innovate UK (Individual Grant Audits)
- UKRI
- Royal Society

## **7. Overall Conclusion**

7.1 The Audit and Risk Committee presents this annual report to provide assurance to the University's Board of Trustees and the University's Accountable Officer regarding the signing the University's Annual Report and the Financial Statements for the year ended 31 July 2023. The report will be presented to and reviewed by the Board of Trustees on 16 November 2023 before the audited financial statements are signed.

7.2 On the basis of the information provided to it, the Audit and Risk Committee can confirm to the Board of Trustees and the accountable officer that it:

- Recommends the financial statements to the Board for approval including the corporate governance statement and statement of Board responsibilities.
- Recommends the letter of representation to Board for approval.
- Assures the Board that the financial statements are in accordance with any accounts direction from the OfS and that the accounting policies and judgments are appropriate.

7.3 Based on the information provided to it, including assurances received from the Vice-Chancellor and members of the senior management team, the External Audit Report, the Internal Auditor's Reports, its discussions with the External and Internal Auditors, the Audit and Risk Committee can confirm to the Board of Trustees and the accountable officer that it is satisfied that:

- Adequate controls have been operating for risk management and internal control, which are separately disclosed within the Board's Internal Control statement in the 2022/23 annual report and financial statements.
- Adequate arrangements have been in place in relation to governance.
- Adequate arrangements have been in place to promote economy, efficiency and effectiveness (VFM); and
- Adequate arrangements have been in place in relation to the management and quality assurance of financial returns submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE, the OfS, Research England and other bodies.

**Ololade Adesanya**  
**Chair of Audit & Risk Committee**