University of
BRISTOL

**ANNUAL REPORT OF THE AUDIT & RISK COMMITTEE 2021/22**

## 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 2021 to 31 July 2022; it also includes any significant issues that have arisen up until the date of this annual report (17 October 2022). 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 considers that the University's Risk Appetite should be refreshed.

2.2 The Committee considered the Key University Risk Register at each of its meetings during 2021/22. In January 2022, the Committee noted that since October 2021, the number of risks in the "red zone" had reduced from ten to four. This had resulted from a review carried out by the Senior Management Team in response to the developments in the Covid pandemic and from re-examining the scoring matrix.

2.3     Reports providing focus on strategic risk took place into the following areas during the year:

Ongoing management of the University's response to Covid-19 pandemic on 17 January 2022, Cyber Security and IT Service Continuity on 17 January 2022, Research Income on 21 March 2022, Research Pipeline on 27 June 2022, Education Quality on 27 June 2022, Cyber Security including the National Composites Centre (a wholly owned subsidiary of the University) on 27 June 2022.  The Committee received verbal updates on the Temple Quarter Enterprise Campus ('TQEC') from the COO on 21 October 2021 and 21 March 2022 and reports on this area on 17 January 2022 and 27 June 2022.  On 27 June, the Committee agreed that a Strategic Risk Focus into those risks now in red zone in the Risk Register Heat Map should be presented over the next academic year (2022/23).

2.4     Regarding TQEC, the Committee was given assurances by management that they are taking appropriate action with regard to the TQEC new campus development.  In January 2021, the Committee noted that RSM had carried out external assurance of the Temple Quarter (TQ) programme in the form of a delivery confidence review.  The review was commissioned to support two key aspects of the programme: an assessment of delivery confidence and the robustness of monitoring and controls, in line with the programme gateway.  The overall result for the delivery confidence review was Amber/Green.  Further details are provided in section 4. (Governance) below.  In January and June 2022, the Committee noted that certainty around overall delivery of the programme would improve when certain key milestones were met, and that the University sought to minimise its risk exposure on TQEC by taking a step-by-step approach and by ensuring that risk budgets were inside the target so as to retain headroom to manage unpredictable costs and risks. In February 2022, the Board of Trustees approved, subject to certain conditions being met over time,  the progression of the development of the first phase of the Temple Quarter Enterprise Campus and provision of facilities to enable the new Business School, 'digital' Engineering Disciplines, Centre for Innovation & Entrepreneurship, industrial collaboration and community engagement and the progression of student residences on Temple Island as the optimal path to achieve the objectives of the refreshed University Strategy.  In March 2022, the Committee noted that that TQEC was no longer in the "risk red zone" and discussed ways in which this area could continue to be monitored going forwards.  It was noted that the role of the Audit and Risk Committee was to ensure the adequacy and effectiveness of risk management and risk appetite but without being too formulaic in the approach taken.

2.5     In January 2021, the Committee concluded that the majority of the known risks associated with the Cyber Security & IT Disaster Recovery had been identified with action plans in place to mitigate.  It was noted that risks would remain and would require ongoing management for the next couple of years as they were part of the implementation of the University's Digital Strategy.  The Committee discussed at each meeting in 2021/22 noting the multifaceted risks the University faced in this area and received updates from Officers on areas of responsibility in particular progress to date and challenges for ensuring future success.  It was noted that cyber security and the ability to respond effectively through comprehensive IT disaster recovery capabilities remained a critical success factor for the University. The University of Bristol's investment in developing both cyber and recovery capabilities remained strong and was supported by the continuous upskilling of the IT department, the introduction of specialist managed service providers, raising awareness through the continuation of the Cyber Improvement Programme with its operational working group forming part of the Digital Strategy.  In January 2022, the Committee noted that policy compliance and training remained outstanding areas with cultural shift within the organisation required.  It was intended that the forthcoming internal audits would have the effect of setting the agenda and expectations for the future at the institutional level.  Further details are provided in section 3. (Controls) below.   In May 2022, an additional meeting

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between senior staff in IT Services and Committee members to provide further discussions and assurance on Cyber Security took place.  In June 2022, the Committee received a summary of the current position relating to Cyber Security/Data Loss.  It was noted that risk exposure across all dimensions had been reduced over the previous two years.  Cyber security had moved to a hybrid service model incorporating a dedicated University Cyber Security team and a fully managed service with proactive support 24x7x365.  The University had engaged professional partners to detail the required cyber security activities and evaluate the findings against a standard cyber management framework.  These formed the basis for the Cyber Security Programme and created the requirements that underpinned the 3rd party managed service contract. The University's ability to monitor, identify and respond to either critical vulnerabilities or incidents was now part of the normal operating practice of IT Services.

2.6    The National Composite Centre (NCC) activity is split between the University (asset ownership & 2/3 revenue generation) a subsidiary of the University (staff engagement & 1/3 revenue generation) and falls under the remit of the Audit & Risk Committee.  In 2019/20, the Committee was assured that the NCC had reviewed its existing Risk Management Policy and has made changes which aligned it with the University's Risk Management Framework.  In June 2021, the Committee was further assured regarding the risk management approach at NCC.  In June 2022, the Committee noted that there had been significant progress on cybersecurity to protect NCC but that more work was required on information governance aspects such as policies, procedures, and data classification.   A programme of work had been established to evaluate the additional controls required to aligned to the ISO27001 standard.  It was noted that enhanced standards will become increasingly important as Composites seeks to establish itself in sectors which have very high expectations of information governance and security.   Additionally, an internal audit reported to the Committee in October 2021 and provided Reasonable Assurance with low and medium priority actions agreed with management.  The internal audit evaluated the key financial system-based controls in place post-implementation of Dynamics and assessed their effectiveness in mitigating risk. It also assessed the procurement mechanisms of the NCC and their alignment to those in place at the University.

2.7    In January 2022, the Committee received a paper detailing the University's ongoing response to the Covid-19 pandemic including mitigations and scenario planning for the year ahead. The University's Academic Planning Group and the Covid Operational Response Group had oversight of risks associated with academic and operational covid planning. Several key functional areas (e.g., Educational Services, Campus Services, External Relations, HR, Finance, etc.) continued to actively manage risks daily concerning the pandemic. These teams meet regularly with local Health Protection Teams, other regional Higher Education Institutes, and representatives from UK Health Security Agency.

2.8    Regarding Research Income and Research Pipeline, in March 2022, the Committee noted that the current issue of concern was the anticipated shortfall in the number of research awards in response to a reduction in the level of applications in certain areas and that not all Faculties and Schools were affected in the same way.  The Committee noted that appropriate management of the research application pipeline affected research awards and income, which in turn impact on research intensity and reputation and the paper detailed actions and initiatives to prevent material impact in 5-6 years' time.  The University would invest in support from the Research & Enterprise Development team to support grant applications and proposals to change the structure of the academic year would help to make more academic staff time available for research.

2.9    In June 2022, the Committee noted that the risks related to Education Quality had stabilised as the external regulatory landscape had become clearer and the need to react to the Covid pandemic with emergency measures continued to recede. Much of the current risk arose

from the impacts of the pandemic on education delivery and workload for staff. Performance in the NSS remained a concern and was likely to remain challenging given the impact of industrial action and the pandemic. It was noted that the Curriculum Enhancement Programme, changes to the design of assessment and feedback, and the Structure of the Academic Year (SAY) programme were all intended to create systemic cultural changes that would then impact NSS scores.

2.10 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, to provide a consistent framework for the management of risk at these levels and to 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. From January 2020, extra elements were included to improve the usefulness and understanding of the documentation: an indication of progression against an aim i.e. displaying the current score between residual and target and improvements in the trend indicator. In June 2022, the Committee agreed that the institutional risk appetite should be reviewed by the Board of Trustees in February 2023.

*Conclusion*

2.11 The Audit Committee is satisfied with the progress made over 2021/22 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 2021/22 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 2021-2024 Internal Audit Strategy (agreed by the Audit and Risk Committee on 28 June 2021) 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; provide on-going assurance over the University's business as usual activities; providing assurance over major change programmes and/or new systems or processes; and assurance over the major risks facing the University, including those emerging from the Covid-19 pandemic.

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 2021/22 Update Report at each meeting in the academic year 2021/22.

3.5 On 17 October 2022, Audit & Risk Committee will consider the Internal Audit Annual Report 2021/22 – Final Draft. At the time of writing, 19 reports had been completed by RSM between October 2021 and October 2022, the table below details assurance and actions.

| Number of Reports | Assurance Levels and Actions Required |
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| 8 | Reasonable Assurance with Medium and Low Priority Actions |
| 1 | Reasonable Assurance with Low, Medium, and one Advisory Priority Actions |
| 1 | Reasonable Assurance with Medium Priority Actions |
| 1 | Reasonable Assurance with Medium Priority Actions and one Advisory Action |
| 1 | Partial Assurance (relating to the assessment of operating effectiveness of controls evaluated as part of the audit) and Reasonable Assurance (covering the design of cyber security controls evaluated as part of the audit) with Low, Medium and High Priority Actions. Further details are provided in section 3.6 below. |
| 1 | Partial Assurance with High and Medium Priority Actions Further details are provided in section 3.6 below. |
| 1 | Partial Assurance with Medium Priority Actions and one Advisory Action |
| 1 | Report "Student Comms & Digital Presence Summary" RSM did not provide an assurance opinion.  Management agreed with the observations in the report and noted that greater clarity was needed around the ivision of responsibilities for student communication, and this would be the starting point for further action.  To avoid duplicating existing capabilities, the University needed to consider how to make the most of the specialist expertise already held within the Student Communications and Digital Communications teams, across both areas.  This will provide a firm basis from which to set out aspirations for enhancing student communication, drawing also on feedback from the student community.  Future work on student communications will align with the principles underpinning the digital presence work and focus on those areas most important to students. Primary focus will be on driving a more joined-up experience of communications for current students, as there is already greater centralisation of messaging for applicants and new arrivals. |
| 1 | Report "Recruitment Follow-Up Exec. Summary" RSM did not provide an assurance opinion. An internal audit of Recruitment in Summer 2019 raised seven medium priority and two Low priority findings in relation to the control framework for this area.  The follow up Report confirmed that a new interface and ways of working within eRecruit had been developed that reduced the amount of manual processing and had assigned responsibilities between the Employee Services Hub in HR and hiring managers.  Work has been undertaken to review the current recruitment guidance for hiring managers, including key policies and required processes. Other policies, such as those around recruitment and retention supplements, and interview and relocation expenses, had been reviewed with work in progress to formalise the necessary amendments and implement changes based on this.  Wider financial management of recruitment expenditure had improved since the original audit, with enhanced visibility of relocation expenses repayable, and cross charging of some recruitment costs such as advertising. |
| 1 | Report "Academic Conflicts of Interest Follow Up Report" RSM did not provide an assurance opinion.  In May 2021, a review of the declarations of interest received from academics, including testing to establish the accuracy and completeness of these and to confirm that payments made to companies for which a declaration had been received were compliant with the University's Procurement Policy was carried out.  The follow up report reviewed progress against those priority actions set by management following the original audit.  All four high priority actions and three of the four medium priority actions were verified as fully completed.  Progress had been made towards the |

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| | outstanding medium priority action, development work in MyERP was required, this was dependent upon Finance and HR Systems team resource. |
| 1 – June 2022 | Report "Strategic International Research-Led Partnerships (SIRPs), Executive Summary" RSM did not provide an assurance opinion. The University had set out in its new sub-Strategy its aims of establishing a small number of SIRPs, but at the time of the audit it had yet to define a detailed implementation plan supporting this objective. This was, in part, because the University remained in an early stage of its wider strategy rollout and detailed strategic planning is ongoing. However, there were key risks worth capturing at this stage that may impact the University's ability to achieve its objectives if not suitably addressed. Management had agreed an action plan in response to each of the five Medium Priority Actions identified. |
| 1 – June 2022 | Report "Recruitment Follow Up (Stage 2) Executive Summary" RSM did not provide an assurance opinion. A two-stage follow up of the original Recruitment audit in Summer 2019 was conducted to capture the progress made in implementing the agreed actions, in particular updates to processes around the administration of recruitment in MyERP and eRecruit, as well as further changes to the Hub's approach for delivering recruitment activity. The first stage, a review of progress on the original actions, was carried out in July 2021. The latest report covered the second stage, which was originally scoped as a deeper dive review of new processes but had been rescoped as a high-level update due to ongoing improvement works with the Employee Services Hub. Observations from this stage summarised the additional progress made since the previous review. RSM concluded that further progress had been made in addressing the remaining management actions from the original audit report, as well as improvements to practices around eRecruit, in particular the use of management information to monitor and inform recruitment decision-making. A suite of reports had been developed to allow the Resourcing Manager, business partners, and HR leadership to review regular snapshots of recruitment activity, with plans in place to expand this reporting capability across the end-to-end recruitment process. |

3.6     Of the total 115 actions identified throughout the year, 9 (8%) were 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. Six high priority actions were included in Report "IT Business. Continuity. & Disaster Recovery (DR)" and covered the following areas:

- Review, update and disseminate DR documentation to all staff reflecting current processes and retain centrally in SharePoint.
- Review critical list of services for completeness and fit for purpose. Update and approve the Senior Leadership Team Issue Overview and Proposed Resolution document by the appropriate owners.
- Conduct BIA (Business Impact Assessments) exercise, factoring in Sungard BIA findings, and include within the BCP (Business Continuity Policy) plan with links to the DR plan and recovery prioritisation documentation. Ensure that business critical applications linked to Gold SLAs (service-level agreement) meet the minimum requirements for Recovery Point Objectives and Recovery Time Objectives in order to meet expectations.
- Ensure critical asset SLAs are defined and fed into the BCP, subject to regular review. Resilience testing to be scheduled at least annually and lessons learnt adopted

accordingly. Findings of Sungard report to be added into the overarching Business Continuity Policy.

- Recovery test schedule will be agreed and implemented, with monthly restore testing for individual services and a full DR restore test of selected critical services undertaken at least annually. The results will be documented and fed into a lesson learned process and shared with all relevant stakeholders.
- Accelerate the migration of services to the DC2 and DC3 datacentres as per the project plan and develop a formal test schedule.  Update Storage, Backup & Retention Policy to reflect the new process across all three backup systems.

Three high priority actions were included in Report "Cyber Security" and covered the following areas:
- Management to ensure that unsupported Operating Systems (OS) that have reached End-of-Support (EoS) are decommissioned or upgraded within an agreed timeframe. If legacy OSs cannot be migrated, management will ensure that each respective OS that has reached EoS will either be isolated or blocked from internet access.
- Management to ensure that remote access software is blocked /removed unless authorised by management, where use will be documented, monitored and subject to MFA (Multi-Factored Authentication).
- Management to ensure that local administrator rights are applied only to users who have roles that require them, and that such rights are only available through temporary elevation. Additionally, separation of account use should be applied where at all possible.  Management will investigate the expedited use of Privileged Account Management (PAM) to manage elevated access rights including the logging of activity conducted.

3.7 The Committee noted during 2021/22, 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 2021/22, 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 Additionally, 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.

*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 2021/22, 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 17 October 2022.

3.11 In the report, PwC reported the significant findings from the 2021/22 Audit.  The report set out matters arising from PwC's audit of financial statements, for 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 2022 (OfS

2021.30) issued by Office for Students ("OfS") and Terms and conditions of Research England grant (RE-P-2021-01) 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 2022.

3.13    The Audit and Risk Committee considered PwC's Management Letter for 2021/22 at its meeting on the 17 October 2022.  No significant control issues were raised by PwC.  Further, at its October 2022 meeting, the Committee considered the financial statements with the External Auditors, the Vice Chancellor, the Provost, the Chief Operating Officer (the University's Finance Director) and the Registrar & University Secretary.  The 2021/22 Management Letter and Letter of Representation will be considered by the Board of Trustees on 18 November 2022.

*Other source of assurance*

3.14    On 21 October 2022, the Audit and Risk Committee received the Annual Fraud Report 2021/22 and noted that there had been one recorded incident of successful fraud perpetrated against the University over the last academic year that had resulted in a loss of £6,224.  The Committee noted actions undertaken by the University to prevent a recurrence.

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 2021/22 to disclose, so an annual report to Audit and Risk Committee in October 2022 would not be required. In March 2022, the Committee received a Whistleblowing Report for the period 1 April 2021-11 March 2022.  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 two policies, together with other University policies provided an adequate and robust framework to safeguard the University's interests.  The Committee noted overlaps between the remit of the Whistleblowing Policy and the reformed and improved procedures detailed in the internal audit entitled Academic Conflicts of Interest Follow Up Report (see 3.9).

3.16    An update on a Whistleblowing Investigation relating to alleged financial irregularity relating connected to University spinout companies with a common director was considered by the Committee at its meeting on 21 October 2021.   The preliminary investigation report suggested that the level of potential loss to the University through benefits being granted to spinout companies is less than £50,000.  There were no indications that the irregularity identified is wider than the specific area of the institution being investigated, and management is developing an action plan to reduce the risk of similar issues arising in the future.  The Committee received a progress report at its meeting in January 2022 that identified and made recommendations for improvements to wider governance or administrative processes across the University.

*Conclusion*

3.17    The Audit & Risk Committee considers that an adequate framework for internal control has been in operation for financial year 2021/22 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 2022 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.

4.5    In 2018/19 the Internal Auditor performed an audit to review the adequacy and effectiveness of the governance structure and arrangements in place within the University that enable it to thrive in the increasingly challenging external environment in which it operates.  They concluded that the University's risk and control framework over Corporate Governance was adequate and effective with further enhancements to the Governance arrangements in progress.

4.6    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 2021/22, the following Reportable Events were registered with the OfS, there were no serious incidents:
- Change in clinical placement provider for students in the School of Veterinary Medicine.
- Change in clinical placement provider for students in the Dental School.
- The initiation of a governance review where this is not a routine part of a provider's planned arrangements.
- Change of Accountable Officer.

4.7    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 VWV.

*Conclusion*

4.8 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 2021 and November 2022, 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 2021/22 Value for Money report assessed the Value for Money ("VfM") the University offers to both students and taxpayers across a series of key performance indicators (KPIs) that were agreed with the Board that drive VfM improvements across "Economy" (how costs compare to other Higher Education institutions), "Efficiency" (how performance compares to other Higher Education institutions) and "Effectiveness" (outcomes). There had been significant work done during 2020/21 and 2021/22 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 2021/22 to further enhance the value for money offered. In its Value for Money Report for 2021/22, 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 2021 |
| Signed Audited Financial Statements | OfS | 1 December 2021 |
| Audit Committee Annual report | OfS | 1 December 2021 |
| External Audit Management letter and management responses | OfS | 1 December 2021 |
| Internal Audit annual report | OfS | 1 December 2021 |
| Value for Money Statement | OfS | 1 December 2021 |
| Annual Academic Quality Assurance report | OfS | 1 December 2021 |
| Annual sustainability assessment (optional) | | |

| Return | Body | Return date |
|---|---|---|
| Transparent Approach to Costing (TRAC) return | OfS | 31 March 2022 |
| Transparent Approach to Costing for Teaching (TRACT) return | OfS | not required in 2021/22 |
| Finance Record | HESA | 1 December 2021 |
| Higher Education – Business and Community Interaction* | HESA | 31 January 2022 |
| Five-year Financial Forecasts | OfS | 1 December 2021 |
| Commentary on Financial Forecasts | OfS | 1 December 2021 |

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)
- Wellcome Trust (Funding Review)

## 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 2022.

The report will be presented to and reviewed by the Board of Trustees on 18 November 2022 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     On the basis of 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 report 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 2021/22 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.