

# Gazette Supplement



## Topic for discussion: 'What should the Audit and Scrutiny Committee scrutinise in the coming year?'

**Congregation**

13 June

**The Vice-Chancellor:** Good afternoon. The business before Congregation today is, first, the declaration of approval of resolutions, one concerning the allocation of space at 3-5 Hythe Bridge Street, and the others concerning the use of space for the Departments of Experimental Psychology and Zoology following the closure of the Tinbergen Building. There will then be a topic for discussion on the Audit and Scrutiny Committee. Would you please take a seat.

The resolutions and the topic for discussion were placed on the agenda of this meeting, first published in the 25 May issue of the *Gazette*. Since no opposition has been notified to the resolutions, I declare these carried.

There will now be a discussion. The topic is 'What should the Audit and Scrutiny Committee scrutinise in the coming year?' The discussion will comprise a series of speeches.

Speakers, when called, please could you come forward and speak into the microphone, first giving your name and college or department. The anti-loquitor device will indicate your final minute with an amber light, and then turn red at the end of that minute. You are asked to confine your remarks to themes relevant to the discussion.

I call on Sir Jonathan Phillips.

**Topic for discussion: 'What should the Audit and Scrutiny Committee scrutinise in the coming year?'**

**Sir Jonathan Phillips:** Jonathan Phillips, Keble College. Madam Vice-Chancellor, I'm speaking as a member of the University's Audit and Scrutiny Committee and the member nominated by the Conference of Colleges. And I thought it might be helpful for those contributing to this afternoon's debate if I describe the purpose of the committee and the way it operates.

Let me deal first with the concept of 'audit'. The University is required by HEFCE, its regulator, to have an audit committee as a condition of receiving its funding. Under the agreement with HEFCE the committee is responsible for providing an annual opinion to Council on:

*'the adequacy and effectiveness of the University's arrangements for risk management; internal control; governance; value for money; and the management and quality assurance of data'.*

In order to obtain its assurance on these matters the committee draws on the independent work of internal and external auditors, PWC and KPMG respectively. Assurance is also obtained on the basis of information provided by senior staff who attend the committee, and from reports and other material drawn from around the University. The committee is required by HEFCE to undertake whatever work it judges necessary to meet its responsibilities. So, in this context, 'audit' - in HEFCE terms 'assurance' - involves the seeking and weighing of evidence, including independent audit evidence, on the

University's operations, and then annual reporting to Council in a prescribed form.

The committee does not have executive authority. It can only place items on Council's agenda or ask Council to bring matters to the attention of Congregation. But, very significantly, the role is an independent one. The committee is able to challenge and probe and to bring matters to Council's attention separately from the rest of the University's committee structure.

Turning to the 'scrutiny' role. This is defined in our terms of reference as *'the process of structured inquiry or investigation into failures or alleged failures of the University's operations'*. It's additional to the HEFCE requirement, though in practice the majority of issues which the committee considers fall under the 'audit' heading and only rarely are they dealt with formally as 'scrutiny' matters.

My place, offering a college perspective, is one of nine on the committee. Five of the others are external members appointed by Council, bringing independent, private and public sector perspectives to the table. The remaining three are internal members elected by Congregation so that the experience of working in the University, whether in teaching, research or administrative capacities, is brought to bear. The Proctors and Assessor also attend, and their presence not only reinforces the internal perspective but also draws on their experience across the full range of University committees during their terms of office.

Implicit in what I've already said is that the committee can discuss any matter it wishes and in practice the subjects we consider

are very varied, and they come forward in a variety of ways.

Unsurprisingly, the internal and external auditors set much of the agenda, ensuring that the committee has accumulated sufficient independent assurance to be able to offer its annual opinion to Council. An important attribute of the audit teams is their wider experience of the sector, which they bring to bear when examining the activities of the University including, for example, its risk register.

Internal and external members also raise issues. These might arise from personal experience or expertise, as in the case of a recent focus on information security. Or there might be an external stimulus as, for example, in the case of the widely reported cross-sectoral risk of failing to ensure compliance with Home Office rules on immigration.

The Proctors raise issues for discussion.

The chair of the committee reports on business in Council which might justify, in her view, a review or request for information.

Officers in attendance, principally the Registrar or the Director of Finance, identify issues.

I should stress very strongly that the committee welcomes suggestions from members of Congregation, whether communicated through the secretary, a member of the committee or the Proctors, and I hope it wasn't necessary for today's debate to take place in order for that point to be clear. The committee will consider such issues as 'audit' or 'scrutiny' matters or, if more appropriate, refer them for consideration in a more appropriate forum. And one other point of emphasis, the reference to 'confidential channels' in today's motion is accurate.

Madam Vice-Chancellor, I haven't this afternoon time to give a comprehensive account of the recent work of the committee in considering topics which have ranged from some of the University's big capital and IT projects to the quality of financial management and control and various breaches of process. What I would conclude with, however, is the observation that, with its commitment to underpin the strength and stability of the University, the committee will consider any suggestions which are made in this debate this afternoon. Thank you very much.

**The Vice-Chancellor:** Thank you, Sir Jonathan. I call on Professor Jeff Tseng.

**Professor Jeff Tseng:** Madam, Jeff Tseng, St Edmund Hall, Faculty of Physics – and I am actually the outgoing elected member of the Audit and Scrutiny Committee.

Madam Vice-Chancellor, Proctors, members of Congregation, as one of the proposers of this discussion, I felt I should give a little bit of an explanation as to why the proposal was made to drag everyone out for a potentially brief, but I think important, meeting.

It is actually a distinctive feature of our University that we elect members from amongst ourselves to sit on significant committees with the authority to make important decisions. We sometimes call our system 'democratic', though it has seemed to me for a number of years that we are missing some pieces of a functional democracy. In particular, we elect members to take part in decisions, but we don't really have a way to hear back from them or interact with them as to what happened, what is going on, in some sense how effective the committee has actually been. My hope is that this discussion, and perhaps others like it, will actually facilitate that kind of communication.

Now, it should be mentioned that there has been an ongoing effort to improve communication, so for instance our Q&A sessions have been organised at various times and, in the last few years, the Council website does seem to have become more informative. There are now even portraits of Council members. I suppose that improves communication by helping us recognise them when we pass them on Broad Street. In any case, these opportunities are actually appreciated. If we were to draw a comparison with other democratic institutions, however, a Q&A might be more like a press conference or a town hall meeting; this meeting could actually function more like an MP's surgery.

I would just like to add a couple of observations to what Sir Jonathan has already laid out on the way the committee works. Just to mention some things on external members: our external members have included senior civil servants, bankers and auditors amongst others, and this is very useful experience to have at the table, since overseeing the audit work can be fairly technical. External members also bring a lot of other useful experience to the table, since various problems we experience in the University really have been seen outside it as well. Their breadth of experience is also a useful antidote to the what one might call 'the one best practice to rule them all' brigade.

Now, returning back to the committee itself, as mentioned by Sir Jonathan the remit of the committee is rather broad in practice. In my six and a half years on the committee, we have had conversations with the leadership of every division, several departments, with the Press, with Buildings and Estates, Personnel, Research Services, Planning and Resource Allocation, Legal Services, as well as IT Services in its various manifestations. The Vice-Chancellor has a session with us every year. Now, the meetings can be rather difficult, but I believe these conversations have actually led to improvements, certainly from where we were several years ago, but the work does go on.

There have been some repeating themes: academics and administrators who hoard information and authorisations, especially financial ones, tend to raise – and should raise – red flags. It often starts from a good purpose. A senior figure once described this to me as 'ignorance rather than active malfeasance', but, as a charity, we are rather restricted in how we use money. So if an administrator tells you something can't be done in exactly the way that you want it to be done, you may have to consider the possibility that it's because of rules which are meant to protect all of us.

Another repeated theme is inconsistency and inefficiency, especially when it results from the highly devolved nature of the University. What one usually hears when this happens is something along the lines of, 'Well, if this was a real organisation...' followed by a proposal to centralise the function. Well, we do actually sometimes have to ask ourselves: is the devolved way in which we operate just a habit or is there an actual good reason for it? And this is where it actually helps to have internal members who see how the systems work at the coalface, otherwise it can be very easy to be convinced that if you just somehow manage to get all the information and decision-making in some central place, then the optimal answer will simply pop out. And this model would work very well if information and good decision-making were cost free, in time and money. Bad decisions of course can come for free, along with tweeting about them. But a university is complex and diverse by its very nature, so this isn't always the answer, and I am glad to say that a number of people in our administration and on the committee actually are aware of this.

Moreover, not all external patterns should be imitated; not only are they sometimes inapplicable but sometimes downright worrying. So, for instance,

when I was looking at material about communications for this speech, I came across the *Financial Times* definition of corporate communication. Apparently, it's 'a function dedicated to the dissemination of information to key constituencies, the execution of corporate strategy and the development of messages for a variety of purposes for inside and outside the organisation'. The next sentence then reads: 'In today's global corporation, this function serves as the conscience of the corporation.' Of course, if that is the case, one wonders what lies at the corporation's heart.

Overall, I believe that we have been reasonably effective on audit and its implications. In scrutiny, I think our effectiveness is a bit more questionable. When I started people came to us with a lot of information; that stream has mostly dried up. This reflects several things: people are less aware nowadays of what we do, who we are; maybe we also need to be recognised on Broad Street. The environment is less fraught, so some information goes directly to the administration and, of course, the Proctors. We're also able to now answer questions more about and by our audit functions than we used to be before.

But we shouldn't be complacent. We need the connection with Congregation to find or anticipate trouble spots and to understand better how we can use or improve our scrutiny. So, when talking about this discussion with Professor Kaye, the one other elected member on the committee, we felt we should do this even if only two people showed up. I'm glad that we exceeded at least that expectation.

So I look forward to hearing from members of Congregation today, as well as in the very near future, even though I am the outgoing member. And I am sure Professor Kaye and our newly elected members, Professor Wilson and Dr Edwards, will as well. As far as I know, they did actually choose to run. I hope they have good, productive terms on the committee. But, as for this afternoon, I suspect I will need to scrutinise the coffee and cakes in the Bodleian Cafe. Thank you.

**The Vice-Chancellor:** Thank you. I call on Mr Boyd Rodger.

**Mr Boyd Roger:** Boyd Rodger, Bodleian Libraries, Equality Officer with University College Union.

Vice-Chancellor and colleagues, thank you to those members of Congregation who proposed today's discussion about the reporting function of the Audit and Scrutiny Committee. For the sake of brevity, I will move beyond this part of the discussion

since other speakers have addressed it, and suggest an issue for the Audit Committee to perhaps consider over the next year.

My suggestion is in the form of a question: why are there so few black and minority ethnic staff and students at the University? I can understand if colleagues feel uncomfortable with my question. But how can progress be achieved with the University's diversity objectives if such questions are not asked?

The University of Oxford has staff and students from over 140 countries, and has policies that aim 'to make sure that our community is inclusive and welcoming for everyone, whatever their background, to ensure equality of opportunity and experience for all in order to harness and nurture the range of talent that makes us a world-leading University'. My question is all the more pressing in light of this noble aim. Of our total staff, 12.4% are BME, and 16% of our students are BME (compared to 22% across UK universities).

Oxford is a world-class university, and we recruit from everywhere, aspiring to bring in the best students and staff. Our students, and our own diversity objectives, require us to be that much more inclusive.

This is a legitimate area of inquiry for the Audit and Scrutiny Committee since the HEFCE Audit Code of Practice lists 'Equality and diversity' as one of those areas that need to be audited in higher education.

Moreover, the Public Sector Equality Duty (Section 149 of the Equality Act 2010) requires public bodies like the universities to do the following:

1. to not only avoid discrimination but also actively promote equality;
2. according to the University website, to 'consider the potential and actual impact upon equality of all their policies, procedures, decisions, informal practices etc.'

How does the complex, devolved, networked organisation of this University operate with coherence and consistency to achieve this? More specifically, do the central functions of the University - who the *Oxford Magazine* refers to as 'Wellington Square' - inform, support and/or direct the divisions and local departments in pursuit of these requirements? Are Equality Impact Assessments completed on a regular basis across these diverse stakeholders?

Clarifying what works well, along with identifying areas of improvement of BME student and staff recruitment, can greatly

assist the University being the welcome community for all talented individuals irrespective of race, colour or creed. Investigating why there are so few black and minority ethnic staff and students at the University is, therefore, a necessary and urgent area for audit and scrutiny. Thank you.

**The Vice-Chancellor:** Thank you, Mr Rodger. I call on Dr Karma Nabulsi.

**Dr Karma Nabulsi:** Thank you, and thank you for the people that brought this discussion. And I'd like to thank Sir Jonathan for explaining a little bit of the work of the Audit and Scrutiny. And I think that from what I have been hearing from one of my colleagues who is on it this year, Professor Tseng, it does extraordinarily useful work to the University and to the Council. And I'd just like to talk about this mechanism a little bit that would work for the Congregation, as well.

And it's just been pointed out that the person who put the motion for the discussion was hoping for more than two people, and received that, but it goes to what happens in the number of people here, but which doesn't reflect the number of people that care about this and are seeking ways to be engaged and be involved in the work of the University, because of the benefits of self-governance. I think all of us are feeling, in 8th week, some of the drawbacks of self-governance, perhaps, as I go from invigilating to teaching, to one committee, to a working party, to here - when I'm meant to be somewhere else, in fact. And I think that's part of the collective issue about the timing and the work in making it easy for those of us to engage while we're carrying out other responsibilities. And I don't have to tell anybody behind me about administrative loads or committees - although currently as not only am I tutor and fellow in a college, but I'm currently Director of Undergraduate Studies in my department. And also a professor there and, you know, do my research. But as Director of Undergraduate Studies, and at the college, I'm on 13+ committees and 3 working parties, so I've had a good look over the last two years at how the University infrastructure works and doesn't work.

And it is very clear to me that there is an enormous velocity and speed of material going through that is very hard to really be self-governing over. And that's where you have these committees with Congregation members and expertise developed, like the expertise I developed which I'll develop by my final year as Director of Undergraduate Studies, by which time I'll

never want to speak about it again and be happy to leave. But this kind of handover of this expertise, this knowledge, this work to Congregation makes the involvement and the participation of the body of this University - there's so much kind of great spirit of involvement and engagement and affection for this university institution to be its best. So, while I really appreciate what Sir Jonathan said about its design and its function, I think if there could be such a reporting mechanism back for these committees and then it not be timed for 8th week - perhaps a Tuesday or a Wednesday - that that would give us some ways to think about these issues and to support the work of Council and, of course, the work of people that are on 13+ committees. Thank you.

**The Vice-Chancellor:** Thank you, Dr Nabulsi. Now that concludes the list of those who had indicated a desire to speak this afternoon. Given that we're all here, would anybody else like to speak on the topic for discussion? Yes, please come forward.

**Professor Susan Cooper:** Susan Cooper, Emeritus Professor of Physics.

In order to fit within the stated format of this discussion, I will make a suggestion that Audit and Scrutiny look into something, but it could probably much more efficiently be done directly by the management of the University, who organised how this discussion should be run. I would like to point out that the format of a discussion is not set down in regulations. There's nothing about a five-minute timer or anything. What happened was that the first discussion that we had, when this was invented in the 2000 reforms, and then the first one we had when we were having a lot of trouble over governance and it was a very tense time, and that that first discussion was run rather like a debate in this five-minute format was perhaps appropriate and not surprising, but that doesn't mean that all discussions need to be run that way.

I think that Jeff's original hope was that the elected members of the committee could give a report, of perhaps a bit more than five minutes, and so that Jeff could talk as slowly as I can think, rather than faster than I can listen. And in that case - you know, maybe ten minutes, I mean, not an hour or something - in that case, I might have had a question that I would have wanted to ask one of those people and I think it would be appropriate, when we don't have the agenda completely full, that one could do that kind of thing. So I think we need to have the flexibility to have the right sort of discussion, appropriate to whatever the topic is. And that sometimes it might sort

of resemble a question and answer session, but one under neutral control and not when you have the feeling that the management is trying to tell us something. And to have a transcript, so that people who couldn't come to the meeting can see what happened and also so that there's some record of what was said. With the roadshows that we had, there used to be - in you know, bad governance times - several of them, and you kind of wondered if the management always gave the same answer at the individual meetings because there was no record of it. So I think although a transcript is a bit formal, I think it does provide a useful function.

As for audit and scrutiny itself, I had a lot to do with the fact that it's now audit and scrutiny, rather than just audit. The original suggestion was that we have a separate board for scrutiny, like they do in Cambridge. And at that time, I looked into what audit was doing and said, 'Oh, my goodness, they actually do a lot of interesting things.' It's just that they weren't telling anybody about it. So we broadened the remit so that members of the Congregation could suggest things to be scrutinised, but also provided a way that people could look at the reports. And this went through a couple of phases. For a while there was just a short version of the report put on the web, but it was long enough that it could tell you whether you wanted to learn more. And if you wanted to learn more, you could go to Wellington Square and sit in a hot little room and read the full thing. But, you know, not be able to take any notes on it or anything because it was confidential. But, you know, that was okay.

Then, for a while, the reports on the web were just one-page strict-format things, just tick boxes. It didn't say anything; it was really useless. At least, in parallel, I got them for a while to put a notification in the *Gazette* when new reports were posted, because otherwise nobody knew. You know, the web can be a write-only medium. I don't know if that's still done. I haven't noticed any lately. But before today's discussion I went and looked, and now they've broken free of this fixed format and there's the tick boxes, but then they put text, pages of text after that. So the reports are really quite interesting, but who knows that they're there and who reads them? I think if people knew that they were there, they might well read them and, you know, feel assured that Audit and Scrutiny is doing important work for the University. But sometimes there might be things they then want to say, 'Oh, but you should do some more in that direction,' and it could be a much more constructive thing. So I think those reports could be more constructive if people were told that they

exist, and a discussion could be much more constructive if the format was freer to fit the subject at hand. Thank you.

**The Vice-Chancellor:** Thank you, Professor Cooper. Anybody else like to speak? In that case, this concludes the business before Congregation this afternoon. Thank you.