

**MEETING OF THE AUDIT COMMITTEE
16TH OCTOBER 2019**

REDACTED MINUTES FOR PUBLICATION

A Meeting of the Audit Committee was held at UCEM, Horizons, 60 Queen's Road, Reading RG1 4BS and via Zoom video conference from 10.30am-13.00pm on Wednesday 16th October 2019.

Present:	Mr C Costigan (CC)	
	Dr S Jackson (SJ)	(Chairman)
	Mr A Martin (AM)	
	Professor K Miller (KM)	
In attendance:	Mrs H Edwards (HE)	(for item 3.3 only)
	Mrs J E Fawkes (JEF)	(UCEM Secretary)
	Ms L Horne (LHo)	(for items 2.4 & 3.1 only)
	Mrs L Hughes (LH)	(Note taker)
	Mr J Pratt (JP)	(for item 2.2 only)
	Mr M Speight (MS)	(for item 2.2 only)
Apologies for absence:	Mrs B Bartlett (BB)	
	Mr A Fraser (AF)	
	Mr A Wheaton (AW)	(Principal)

1) GENERAL MEETING GOVERNANCE

263 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

264 There were no conflicts of interest reported.

265 1.2/ TO RECEIVE APOLOGIES FOR ABSENCE

266 There were apologies for absence from Alex Fraser, Bridget Bartlett and Ashley Wheaton.

267 1.3/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 11TH JULY 2019

268 The minutes of the Audit Committee meeting held on 11th July 2019 (as included at paper 1.3) were **APPROVED** as a true record and signed by the Chairman.

269 1.4/ TO APPROVE THE REDACTED MINUTES OF THE MEETING HELD ON 11TH JULY 2019

270 The redacted minutes of the Audit Committee meeting held on 11th July 2019 were reviewed and **APPROVED** as a true record, pending the further redaction of minute 252. The minutes were signed by the Chair.

ACTION Further redact minute 252 before publication. [LH]

271 1.5/ TO CONSIDER MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA

272 The summary showing the outcome of actions from the meeting held 11th July 2019 (paper 1.5) was taken as read with all actions being closed except item 247 (Value for Money Statement) for which a verbal update will be provided at item 4.1.

273 1.6/ TO APPROVE THE AUDIT COMMITTEE ANNUAL REPORT

274 The draft Audit Committee Annual Report for the period 2018-19 was presented to the Committee (paper 1.6). The report outlines the Committee's work and achievements over the last year.

275 The Committee **APPROVED** the Audit Committee Annual Report for submission to the Board of Trustees in November 2019 as part of UCEM's ongoing demonstration of good governance practice across the institution.

276 1.7/ TO NOTE OFFICE FOR STUDENTS FINANCIAL REPORTING REQUIREMENTS

277 The Audit Committee **NOTED** (as per paper 1.7) that the anticipated changes to financial monitoring as a result of UCEM registration with the Office for Students had been issued and therefore UCEM will be required to report on its audited accounts, financial forecasts and financial commentary within five months of the year-end (31st December 2019). This is some three months earlier than UCEM currently files its accounts.

278 The Committee **NOTED** the additional workload pressures the increased reporting requirements will place on the Finance Team and the new auditors. In addition to the shorter time frame for producing the accounts, there are substantive new financial tables to return to OFS at this time for the 2019-20 academic year. The Finance Team is evaluating the requirements and the challenges in UCEM producing the data and will report on this to Finance Committee.

279 The Committee also **NOTED** that two joint meetings of the Finance and Audit Committees had been scheduled in 2020 to accommodate the anticipated reporting date change. The February 2020 meeting will be held to review and sign off the 2018-19 financial statements (ahead of Board sign-off in March 2020) and the October 2020 meeting will be held to review and sign off the statements for 2019-20 (ahead of Board sign-off in late November).

280 1.8/ TO RECEIVE AN UPDATE ON THE PROCESS FOR THE APPOINTMENT OF NEW UCEM AUDITORS FOR 2019-20

281 The Committee received an update on progress with appointment of new auditors for UCEM. The Committee was reminded that due to increasing complexity in the higher education sector, Sayer Vincent were no longer considered appropriate UCEM auditors beyond the 2018-19 audited accounts. Tim Mills had circulated documentation on the proposed process, criteria and timescales for appointment of new auditors at the last meeting which had been approved.

282 The Audit Committee **NOTED** that two audit firms that Tim Mills has written to have turned down the work, likely due to the increasing complexity of Office for Students compliance. Tim Mills has now approached some new firms about their potential to tender for the work. The Committee will be updated on the success of these approaches in due course.

283 The Committee **NOTED** the likelihood of UCEM having to approach one of the big four auditors and the increased costs this could incur, without bringing additional benefits. The Committee suggested that UCEM ask other similar sized Higher Education Institutions who their auditors are and approach them. In particular Alex Fraser may have some advice/recommendations to make.

ACTION Research auditors in other similar institutions. [JEF/LH]

284 The Committee **AGREED** that the timescale for making an appointment is going to become critical but that a transparent and robust tender process must be carried out regardless of this. The Executive will update the Committee again well before the next meeting in February 2020.

ACTION Update the Committee on progress with sourcing new UCEM Auditors ahead of the next meeting in February 2020. [JEF]

2) AUDITS

285 2.1/ TO REVIEW AND REFINE THE ANNUAL AUDIT PLAN

286 The Committee was presented with an overview of audit planning as per papers 2.1 and 2.1a. The Committee **NOTED** that the schedule had been fully revised following the last meeting and now forms a 3-year plan (rather than 5-year) and ties the relevance of the audit back to compliance and regulation requirements on the institution. The schedule also removes audits that sit more appropriately in the remit of the Academic Review Committee. The Committee discussed each option in turn.

287 The Committee **AGREED** that a second Mocksted activity should be undertaken to provide Board assurance that actions required as a result of the initial Mocksted have been carried out and had the desired impact.

288 The Committee considered how UCEM can demonstrate it is meeting conditions of registration around consumer protection law, financial sustainability and public data returns. It was suggested that asking students directly their views around Consumer Markets Authority (CMA) might be appropriate – did they get what they thought they were sold by UCEM? It was agreed that an audit around procurement processes would also be useful. The audits around data returns and new areas of compliance should not be attempted until 2021-22 when UCEM has started to collect and return this data to OfS.

289 The Committee **NOTED** that ongoing compliance with OfS regulation and conditions is becoming a substantive risk to UCEM, particularly in light of the fact UCEM has still yet to secure permanent degree awarding powers. An audit on data quality and control processes would help to ensure UCEM meets expectations. This could be broken down to a review of HESA data, which UCEM commenced collating two years ago, followed by HESES.

290 The Committee **AGREED** that data protection is now largely an area for routine monitoring and not a priority for audit.

291 Finally, the Committee agreed that a review of UCEM Asia Ltd remains relevant and should be prioritised when the timing is appropriate. The Chair reminded the Committee that the purpose of such a review would be to determine how well the entity is working and not to make a decision on whether the entity should continue or not.

292 JEF was **REQUESTED** to map out the timescales of the agreed audits over the next academic year.

ACTION **Map out the timescales for the agreed audits over the coming academic years. [JEF]**

293 The Committee **REQUESTED** that JEF share the full list of OfS requirements on the Trustee Portal and maps OfS expectations in terms of compliance, regulation and conditions of registration against the work of the sub-committees so there is an overall risk register associated with compliance activity and of which Committee has oversight of each element.

ACTION **Share the OfS Compliance Register and Committee business cycles with Trustees. [JEF]**

294 2.2/ TO REVIEW THE OUTCOMES OF THE RE-AUDIT ON CONTROL OF PUBLIC MONEY

295 The Committee invited John Pratt and Mike Speight to join the meeting.

296 REDACTED

297 REDACTED

298 REDACTED

299 REDACTED

300 The Committee also **NOTED** that the processes in place for all new learners mean that records are now established and managed appropriately from the very beginning of an apprenticeship. UCEM's increasing experience in apprenticeship delivery and initiatives like the introduction of DocuSign have significantly helped this and designed out some of the problems being addressed in the remedial work for early UCEM apprentices.

301 The Committee requested one final report from JP on this project and its successful conclusion for its meeting in February 2020.

ACTION Prepare a conclusion of project report for the Committee on the control of public money audit for February 2020. [JP]

302 The Chair thanked John Pratt and Mike Speight for their contributions and invited them to leave the meeting.

303 2.3/ TO RECEIVE AN UPDATE ON THE LEARNING OUTCOMES AUDIT PROPOSAL

304 REDACTED

305 The Committee considered that the input of the Academic Review Committee was important as the focus is on academic performance (degree classifications and student outcomes) and the appropriateness of UCEM processes around Boards. Such an audit would contribute to demonstrating UCEM maintains academic standards as part of an application for Permanent Degree Awarding Powers.

306 The Committee **AGREED** that it was most appropriate that Academic Review Committee (at its next meeting, date TBC) determines the scope of the learning outcomes audit and considers how it can best be achieved, using both internal resources and some external input.

ACTION Ensure Academic Review Committee determines the scope of the learning outcomes audit at its next meeting. [JEF/KM]

307 2.4/ TO RECEIVE A PROPOSAL ON CYBER SECURITY TESTING

308 The Committee invited Lorraine Horne to join the meeting.

309 The Committee was reminded that at its last meeting, an audit around UCEM's cyber security capabilities was proposed and approved. In response to this request further investigation on what this audit may involve has been undertaken. A proposal for this work was presented to the Committee in paper 2.4.

310 The Committee **NOTED** that as UCEM already carries Cyber Essentials Plus certification and conducts annual penetration testing on its systems, an additional third-party audit would not provide any further enhanced insight into vulnerabilities.

311 The Committee **NOTED** that a paper on the key threats to UK universities and academia in terms of cyber security was published on 18th September, providing ten steps to cyber security. The proposal is to now assess UCEM's position in relation to the published framework and risks in terms of policies and processes.

312 REDACTED

313 REDACTED

314 The Committee was advised that NCSC is a UK based minimum standard of security and that ISO27001 is an international exemplary standard that UCEM should be

working towards in the longer term. The Committee **NOTED** that evidence of meeting such standards could become conditions of funding in the future, for example with the ESFA.

315 REDACTED

ACTION REDACTED

3) RISK MANAGEMENT

316 **3.1/ TO REVIEW UCEM RISK MANAGEMENT**

317 The Committee reviewed the risk management proposals circulated in paper 3.1, following a request to review the impact and proportionality scores assigned in the existing Risk Register, last reviewed as V1.07 on 11th July 2019.

318 The new-style risk register proposed enhancements based on LHo's experience at other institutions and on research into how other Higher Education Institutions manage risk. As a result, LHo recommends that UCEM attaches quantitative values to probability and impact to remove subjectivity. A more refined categorisation of risk will include a moderate outcome, not just high or low. In addition, risk appetite and tolerance assessments can also be applied after mitigation calculations, in order to help focus on the risks that are truly tolerable to the institution.

319 The Committee **APPROVED** the proposed definitions of probability and impact to reduce subjectivity and increase consistency in risk scoring.

320 The Committee **APPROVED** the re-defined risk register proposed to include a 'moderate' level of risk categorisation

321 The Committee **APPROVED** the inclusion of a risk appetite and tolerance statement to an overall risk management policy to support more effective risk management at the institution.

322 The Committee **NOTED** that LHo will be moving full time into the Apprenticeships department and that the new risk register will be managed in the approved format by an as yet to be hired Director of Compliance role, reporting to Jane Fawkes. The aim will be to more actively use the Risk Register between Audit Committee meetings across the institution.

323 The Committee thanked LHo and JEF for the updated register and **NOTED** that risk management continues to be well monitored and mitigated across UCEM. The enhancements to be made will only further improve this. The fully updated new-style register will be presented to the Committee again at the next meeting and will include risk appetite and tolerance statements.

ACTION Present the new style updated risk register to the Committee in February 2020. [JEF]

324 The Chair thanked Lorraine Horne for her contribution and invited her to leave the meeting.

325 **3.2/ TO REVIEW AND MONITOR UCEM COMPLIANCE ACTIVITIES**

326 The Committee reviewed paper 3.2, an update on compliance activities and **NOTED** that Audit Committee is now fully responsible for compliance monitoring following a delegation of authority from the Board. The Committee is responsible for overall oversight and need only raise any significant or concerning matters to full Board.

327 The Committee **NOTED** the major updates to the report, which included Freedom of Information, where UCEM is compliant but the risk is amber until the institution recruits dedicated resource to cope with requests.

328 Committee **NOTED** that whilst it also remains compliant with Office for Students regulations and conditions, this too remains an amber risk until dedicated resource is put in place to manage the volume of workload associate with maintaining compliance.

329 The Committee **NOTED** the ongoing risk in terms of ESFA funding compliance until the mitigation work on learner records is completed.

330 The Committee **NOTED** the reducing risks in the areas of safeguarding compliance, other statutory requirements (gender pay gap reporting) and apprenticeship sub-contracting compliance.

331 Whilst the Committee was encouraged that most areas of compliance are at low risk/green the ongoing resourcing needs to remain thoroughly and effectively compliant in the future are real and are in some areas becoming untenable until the committed further resource is put in place.

332 The Committee **AGREED** that the ESFA funding risk and the Office for Student compliance risk should be raised to the Board level for awareness.

ACTION Raise to Board level the highest institutional risks of ESFA funding and OfS compliance. [JEF/SJ]

333 **3.3/ TO REVIEW AND APPROVE THE PREVENT DUTY ANNUAL REPORT**

334 Helen Edwards, Director of Academic Quality, joined the meeting for this item.

335 The Committee reviewed paper 3.3 which provided an overview of the institutional monitoring of Prevent risk and its associated risk register and action plan. This item is a responsibility deferred to the Audit Committee by the Board of Trustees to allow for greater scrutiny. The Annual Return confirming UCEM compliance will need to be submitted by November 2019.

336 HE summarised that the overall risk remains low, but three areas remain amber post-mitigation. These are that learners are aware of British values, that UCEM networks could be used for extremist activities, and that employers are not aware of their responsibilities relating to Prevent. Further activities are planned to continue to address these risks and embed understanding of Prevent across UCEM, including Apprenticeship Outcomes Officers training and more staff training generally.

- 337 The Committee **NOTED** that there were no Prevent referrals during the reporting period and that there were 63 welfare cases that were referred and investigated.
- 338 The Committee **NOTED** the risks of Prevent and the actions associated with mitigating those risks and was fully reassured that UCEM continues to follow a proportionate and diligent response to the identified levels of risk.
- 339 The Committee **APPROVED** the report, the annual data return and the Accountability Statement, which will now be signed by John Gellatly on behalf of the Board of Trustees.
- 340 The Chair thanked Helen for her contribution to the meeting and invited her to leave the meeting.

4) VALUE FOR MONEY

341 4.1/ TO RECEIVE AN UPDATE ON THE UCEM VALUE FOR MONEY STATEMENT

- 342 The Committee was informed that UCEM work to finalise the UCEM Value for Money Statement had not been completed due to workload and resourcing since the last meeting and a final statement should come to the Committee for approval in February 2020.
- 343 The Committee **NOTED** that Value for Money was confirmed as a government priority for the Office for Students to focus on.

5) ANY OTHER BUSINESS

344 5/ ANY OTHER BUSINESS

- 345 The Committee **NOTED** that this was the last formal meeting before BB stands down as a Trustee and recorded its thanks to her.
- 346 There being no other business the Chair closed the meeting at 12.25pm.

Dates of next meeting:

27th February 2020 (including joint meeting with Finance Committee)

30th April 2020, 10am Reading/Videoconference

22nd October 2020 (including joint meeting with Finance Committee)

Signed:



Name:

S. JACKSON

Date:

27/2/20