

AUDIT COMMITTEE

27TH FEBRUARY 2020

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 10-11.30am on Thursday 27th February 2020.

Present: Mr C Costigan (CC)
Mr A Fraser (AF)
Dr S Jackson (SJ) (Chairman)
Mr A Martin (AM)

In attendance: Ms G Cumber (GC) (for item 4.2 only)
Mrs L Downey (LD) (for item 4.3 only)
Mrs J E Fawkes (JEF) (UCEM Secretary)
Ms R Grindey (RG) (for items 3.3, 3.4 and 4.3 only)
Mrs L Hughes (LH) (Note taker)
Mr J Pratt (JP) (for item 4.2 only)
Mr A Wheaton (AW) (Principal)
Mr D Wyatt (DW) (for item 4.3 only)

Apologies for absence: Professor K Miller (KM)

347 1.1/ DECARATION OF ANY CONFLICTS OF INTEREST

348 There were no conflicts of interest reported.

349 1.2/ TO RECEIVE APOLOGIES FOR ABCENCE

350 There were apologies for absence from Kenny Miller.

351 1.3/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 16TH OCTOBER 2019

352 The minutes of the Audit Committee meeting held on 16th October 2019 (as included at paper 1.3) were **APPROVED** as a true record and signed by the Chair, pending the removal of the word 'minimum' in minute 296.

ACTION Remove the word 'minimum' from minute 296 from the minutes of 16th October 2019. [LH]

353 1.4/ TO APPROVE THE REDACTED MINUTES OF THE MEETING HELD ON 16TH OCTOBER 2019

354 The redacted minutes of the Audit Committee meeting held on 16th October 2019 were reviewed, **APPROVED** as a true record and signed by the Chair pending the removal of the word 'minimum' from minute 296.

355 1.5/ TO APPROVE THE MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD ON 8TH JANUARY 2020

356 The minutes of the joint Audit and Finance Committee meeting to review and pre-approve the 2018-19 audited accounts and financial statements, held on 8th January 2020, were **APPROVED** as a true record. They will also be approved by and then signed by the Honorary Treasurer, Jat Brainch, at Finance Committee on 27th February 2020.

357 1.6/ TO APPROVE THE REDACTED MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD ON 8TH JANUARY 2020

358 The redacted minutes of the joint Audit and Finance Committee meeting to review and pre-approve the 2018-19 audited accounts and financial statements, held on 8th January 2020, were **APPROVED** as a true record. They will also be approved by and then signed by the Honorary Treasurer, Jat Brainch, at Finance Committee on 27th February 2020 and published on the UCEM website immediately afterwards.

359 1.7/ TO CONSIDER MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA

360 The summary showing the outcome of actions from the meeting held on 16th October 2019 (paper 1.7) was taken as read with all action being closed and/or due for discussion within the meeting.

361 1.8/ TO NOTE THE UPDATED AUDIT COMMITTEE TERMS OF REFERENCE

362 The Audit Committee noted that the Nominations and Governance Committee had undertaken its annual review of all Board and Sub-Committee Terms of Reference in January 2020. As a result, the Audit Committee Terms of Reference had been updated to reflect the responsibilities of the Committee with regards to the Office for Students Conditions of Registration and the Committee membership had been updated following the retirement of Bridget Bartlett from the Board in December 2019.

363 The Committee **NOTED** the updated Audit Committee Terms of Reference V6 and requested only that the membership explicitly notes the outstanding vacancy to be filled upon recruitment of new independent Trustees.

ACTION **Include the vacant position in the membership list for the Audit Committee Terms of Reference. [LH]**

364 2.1/ TO APPROVE THE UCEM RISK STATEMENT

365 The Audit Committee reviewed a draft UCEM Risk Statement as presented in paper 2.1. The statement provides context as to how UCEM positions itself with regards to risk and it is the result of research of other institutional approaches and statements regarding risk, as well as being fully aligned with Office for Students requirements. Overall the proposed statement reflects a low appetite for risk where they are relative to regulatory compliance, reputational

damage, financial loss or illegal/unethical activity. The draft was presented for comment and approval by the committee.

- 366 It was **AGREED** that the guide valuations should use a consistent language applied to all risk discussions of ‘critical’, ‘major’, ‘moderate’ rather than the change to ‘serious’ and ‘very serious’. In addition, whilst the Committee noted that a financial impact line had been added to the guide valuations, it was considered that a fourth line on regulatory compliance and the various levels of impact this might have should also be added.

ACTION **Update language in Guide Valuations matrix to reflect ‘critical’ and ‘major’ language used throughout risk management documentation. Include a fourth line on the Guide Valuations regarding regulatory compliance. [JEF]**

- 367 The Committee **NOTED** the improvements made in UCEM’s approach to Risk Management in recent years and was confident the new register would become more of a living document for the institution. JEF confirmed that institutional level moderation had taken place following team and department level submissions for inclusion on the register.

- 368 The Committee also considered whether strategic risks were adequately reflected in the register; it was felt it largely featured operational risks. This might include broader but specific risks around not achieving the institution’s long-term ambitions. The Committee **AGREED** that the Board of Trustees should review the wider strategic and external risks to the institution with sufficient time for discussion at least annually; the operational risk register overview would remain in the remit of the Audit Committee.

- 369 It was **AGREED** that at the next meeting the Committee would work on risk scenarios such as the likelihood of more than one major risk occurring simultaneously. The Committee will also consider recovery strategies and how the institution would return to normal following any major incidents.

- 370 The Audit Committee **APPROVED** the draft UCEM Risk Statement pending the amendments to the Guide Valuations matrix amendments requested.

371 2.2/ TO REVIEW THE UCEM RISK REGISTER

- 372 The Committee reviewed the updated UCEM Risk Register following updates by the Senior Leadership Team in January/February 2020.

- 373 The register now includes risks related to the OfS Conditions of Registration and delivery of Transform in September 2020. It has also been fully aligned with new M7 metrics under the CX Strategy. In the future it is intended that the Committee only reviews the high-level risks.

374 **REDACTED**

- 375 The Committee requested that the Ofsted risks be separated as the likelihood and impacts of receiving an Ofsted 3 or Ofsted 4 are very different.

ACTION **Split out poor Ofsted inspection outcome (3 or 4) into two lines on the register. [JEF]**

376 **REDACTED**

377 The Committee **NOTED** that UCEM has commenced the process to apply for Permanent Degree Awarding Powers and that accordingly the OfS is currently undertaking a desk-based risk assessment of the institution and its lead indicators, the outcome of which will determine the degree of institutional scrutiny by the QAA in the second stage of the process.

378 The Committee thanked JEF for the updated risk register and **NOTED** that risk management continues to be well monitored and mitigated across UCEM.

379 3.1/ TO REVIEW THE CYCLE OF BUSINESS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

380 The Committee reviewed papers 3.1, 3.1a ad 3.1b, the planned schedule of committee business for the Audit Committee and the Joint Audit and Finance Committee. Following creation of the UCEM register of OfS compliance (for the Board meeting on 22nd November 2019) the business cycle and schedule for all committees and for the Board over each meeting in any given year has been created in order to help the institution plan for meetings and to ensure the Board and its sub committees are fulfilling their obligations of scrutiny and oversight of each condition of registration with the OfS.

381 The Committee **NOTED** the planned business of the Committees across the year and in particular its new responsibilities to monitor compliance with Office for Students Conditions of Registration C1, C2, C3, D1, G2, G3, E2, E5, F1 and F4.

382 3.2/ TO REVIEW UCEM COMPLIANCE WITH CONDITION OF REGISTRATION E5 – ELECTORAL REGISTRATION OF STUDENTS

383 The Audit Committee has oversight of monitoring UCEM’s compliance with condition of registration E5, electoral registration of students. Due to the demographics and geography of UCEM students, compliance is challenging and potentially resource heavy. UCEM therefore signed-up to the JISC Electoral Registration Service to ensure compliance and reduce the internal burden in this area.

384 The Committee **NOTED** that UCEM had gone live with the service in October 2019 and that to date only 22 students have followed links from the VLE to the further information. This subsequently resulted in 5 registering to vote. UCEM will continue to promote the service to its students. The Committee also **NOTED** that the associated costs of the service were not prohibitive given UCEM’s own lack of resource to meet this condition.

385 3.3/ TO REVIEW UCEM COMPLIANCE WITH CONDITION F1 – TRANSPARENCY RETURN

386 Ruth Grindey joined the meeting for items 3.3 and 3.4.

387 REDACTED

388 UCEM is developing a Data Governance Framework for Statutory Reporting and now has a Statutory Reporting Working Group established to manage this work. The framework will be tested for the Transparency Return 2020 submission. The change in practice includes ensuring the use of OfS tools where available for all statutory returns and the assignment of key accountabilities to individuals through the processes. The 2020 return has to be submitted to OfS in mid-April and is then scrutinised before final sign-off in June. An ongoing cycle of review and improvement to apply lessons learnt through each return will be applied.

389 The Committee **NOTED** the planned approach to the Transparency Return 2020 to ensure its accuracy and compliance with the condition. The Committee also **NOTED** the huge challenge the new data compliance requirements places on the institution and thanked RG for her oversight of the work.

390 3.4/ TO REVIEW UCEM COMPLIANCE WITH CONDITION F4 – DATA RETURNS

391 As a result of registering with the OfS as an approved (fee cap) provider, UCEM became subject to numerous additional statutory data returns from 1st August 2019 (explained in full in paper 3.4). The UCEM Data Governance Framework that is being implemented is designed to help UCEM meet these new and resource-intensive obligations.

392 There are nine data requirements under condition F4, but each one of these is significant in scope. Given the number of changes being implemented to required reporting fields, UCEM needs to constantly review data sets and reporting process methodologies. As a result, there is a significant piece of work to triangulate each data return on an ongoing basis to ensure a holistic approach.

393 The Committee **NOTED** the work to date on data governance and recognised the challenges associated with the volume of returns and the data maturity of the institution to manage them. The Committee will continue to seek updates on this work as it evolves at each of its meetings to ensure the condition is being met. The Committee requested that the Executive considers how it provides the regular reports on compliance with this condition, such as the use of RAG ratings for each data return.

ACTION Consider a RAG rated report approach to provision of a regular update on compliance with condition F4 to the Audit Committee. [JEF]

394 AF reported that his own institution has created a Data Governance Group for management and processing of all statutory data returns, and they create an aggregate report for the Board and the Executive.

ACTION Share details on the LIBF Data Governance Group with UCEM. [AF]

395 The Chair thanked Ruth Grindey for her contribution and invited her to leave the meeting.

396 3.5/ TO APPROVE THE UCEM VALUE FOR MONEY STATEMENTS (CONDITION E2)

397 JEF reminded the Committee that it had approved an overall format for the 2017-18 Value for Money Statement in June of 2019. The format follows guidance from Universities UK. Work was undertaken to finalise this statement in line with the feedback received and this statement has now been published on the UCEM website (paper 3.5a). The Committee **NOTED** the 2017-18 UCEM Value for Money Statement.

398 As UCEM has now signed off its 2018-19 Financial Statements and Accounts, a Value for Money Statement for this period, using the approved format has also been created and was presented to the Committee in paper 3.5b for approval. The Committee were asked to note that the coloured shading on the income and costs charts had been made consistent since the draft was shared with the Committee on 21st February.

399 CC commented on the 37% indirect costs reported in each statement, which is the are likely to receive the most scrutiny. The Committee recommended that this be further split out to separate marketing/business development from building/IT/infrastructure. CC also commented that collapsing Student ad Academic Services with apprenticeship provision may provide a single more compelling figure in the statements. Moving towards expressing Value for Money in terms of student outcomes and service provision was also advised.

400 The Committee requested further refinement of the 2017-18 and the 2018-19 Value for Money Statements with regards to the 37% indirect costs. JEF requested that the Committee approves the statements via email to ensure they are publicly available as soon as possible rather than wait for the next meeting.

ACTION Further refine the categorisation of indirect costs in the Value for Money Statements and circulate to the Committee for approval via email as soon as possible. [JEF]

401 4.1/ TO REVIEW AND REFINE THE ANNUAL AUDIT PLAN

402 The Committee was presented with an overview of audit planning following further refinement after the last Audit Committee meeting (paper 4.1a). The Committee **NOTED** that the schedule now forms a 3-year plan linking the relevance of the audit back to the compliance and regulation requirements of the institution. It also provided indicative timescales for each audit.

403 The Committee **NOTED** that independent consultancy on UCEM's Ofsted readiness was underway currently as a follow-up to the 'Mocksted' held during 2019. An Ofsted inspection remains imminent. Outcomes of this consultancy will be presented to the Committee in April 2020.

404 With regards to a potential audit of the UCEM Asia Ltd entity, the Committee **NOTED** that the planned audit was largely about oversight of the subsidiary from the UK and its compliance with Hong Kong regulation, as opposed to the entity's financial viability. The Chair requested that Stephen Bartle attend the next meeting of the committee to provide an overview of the entity from his perspective which would help inform the brief for any audit commissioned.

ACTION Invite Stephen Bartle to attend the next Audit Committee meeting to give an update on the entity and to help inform the brief for the planned audit. [JEF]

405 The Committee **APPROVED** the audit plan as presented and requested that plans be made for each audit accordingly.

406 4.1/ TO REVIEW THE OUTCOMES OF THE AUDIT ON CONTROL OF PUBLIC MONEY

407 The Committee invited John Pratt and Gill Cumber to join the meeting.

408 The Chair reminded the Committee that a final completion report for the work post-audit to ensure UCEM Apprentice Learner Files were accurate and would not post a funding risk with the ESFA, had been requested for this meeting. The report was provided in paper 4.2

409 GC reported that the remedial work post-audit is now complete, and that documentation held by UCEM is as accurate as it now can be, likely resulting in a less than 5% error rate were the ESFA to audit the institution. There is no further work planned to audit learner records from the first years of UCEM provision; the focus now is on embedding processes and practices established through the audit work that will ensure all current and future records remain accurate. All staff concerned are now using an audit check list prepared by GC.

410 The Audit Committee was pleased to **NOTE** that the audit and the resultant work had proved beneficial and had now been completed.

411 JP cautioned the Committee that planning internal audits and checks to ensure the positive position is maintained does need to be permanently resourced. On-the-job-training records are also subject to ESFA scrutiny and will require internal checks and oversight. JP agreed to provide one further update on the project and the embedding of new processes at the next meeting of the Committee.

ACTION Invite JP to provide a further update report to the Committee on 30th April 2020. [LH]

412 CC informed the Committee that BPP employs a member of staff responsible for oversight and compliance with ESFA funding rules who is based in Reading and that he would be content to allow her to visit UCEM to share best practice which UCEM could adopt.

ACTION Invite BPP Compliance Manager to UCEM to share best practice with the apprenticeship team. [CC/LH]

413 The Committee formally thanked John Pratt and Gill Cumber for their work to address the issues raised through the audit and invited them to leave the meeting.

414 4.3/ TO RECEIVE AN UPDATE ON THE PLANNED CYBER SECURITY AUDIT

415 The Committee invited Ruth Grindey and Dan Wyatt to join the meeting.

416 The Committee was reminded that at its last meeting, an audit around UCEM's cyber security capabilities was proposed and a quotation and audit plan submitted by UNIAC was approved.

417 The Committee was informed that for various reasons the audit had not yet taken place but was scheduled for 17th March with the completed outcomes report to be ready for the Committee to review at its meeting on 30th April 2020. The audit will look at all IT systems as well as internal processes and procedures to determine areas of digital risk. It will focus on the Risk Management Regime, Incident Management and User Education.

418 In the interim period, UNIAC had provided a self-assessment test for UCEM to complete pre-audit. The outcomes of this self-assessment are presented to the Committee in paper 4.3. The self-assessment refers to the three areas that UNIAC will be auditing. The Committee requested that DW complete the self-assessment on the other seven areas UNIAC will not be reviewing in detail in order to give a greater overview of the UCEM cyber security position.

ACTION Complete the self-assessment toolkit for all areas of UCEM cyber security capabilities. [DW]

419 DW reported that he felt the major risks that are likely to be raised through the audit relate to user education and training. The institution has no mandatory IT security training for staff. It also operates more reactively than proactively to IT security issues. DW is more confident regarding IT Risk Management. Whilst there is no formalised IT risk register and process, the knowledge and awareness of problems in the team is high.

420 REDACTED

421 The Committee welcomed the update and the preview to the likely audit outcomes which will be discussed in full at the next meeting and will help to address the vulnerabilities UCEM clearly carries at this time.

423 The Committee thanked DW for his work to date on the cyber security audit, particularly in light of the leadership challenges in the IT team over the last year.

424 The Chair thanked Ruth Grindey and Dan Wyatt for their contributions to the meeting and invited them to leave meeting.

425 5/ ANY OTHER BUSINESS

426 There being no other business, the Chair closed the meeting at 11.31am.

Date of next meeting:

**30th April 2020, 10am Reading/Videoconference
22nd October 2020 (including joint meeting with Finance Committee)**