

AUDIT COMMITTEE

30TH APRIL 2020

REDACTED MINUTES FOR PUBLICATION

A Meeting of the Audit Committee was held via Zoom video conference from 10.00am-12 noon on Thursday 30th April 2020.

Present:	Mr C Costigan (CC)	
	Mr A Fraser (AF)	
	Professor K Miller (KM)	
	Dr S Jackson (SJ)	(Chairman)
	Mr A Martin (AM)	
In attendance:	Mr S Bartle (SB)	(for item 2.3 only)
	Mr R Bott (RB)	(Mazars, auditors, observer)
	Mrs J E Fawkes (JEF)	(UCEM Secretary)
	Mrs L Hughes (LH)	(Note taker)
	Ms K Matthews (KMa)	(for item 2.2 only)
	Mr J Pratt (JP)	(for items 3.2 and 3.3 only)
	Mr A Wheaton (AW)	(Principal)

Apologies for absence:

427 **1.1/ DECARATION OF ANY CONFLICTS OF INTEREST**

428 There were no conflicts of interest reported.

429 **1.2/ TO RECEIVE APOLOGIES FOR ABCENCE**

430 There were no apologies for absence. The Chair welcomed Richard Bott from Mazars to observe the meeting. Richard introduced himself to the Committee.

431 **1.3/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 27TH FEBRUARY 2020**

432 The minutes of the Audit Committee meeting held on 27th February 2020 (as included at paper 1.3) were **APPROVED** as a true record and signed by the Chair.

433 **1.4/ TO APPROVE THE REDACTED MINUTES OF THE MEETING HELD ON 27TH FEBRUARY 2020**

434 The redacted minutes of the Audit Committee meeting held on 27th February 2020 were reviewed and **APPROVED** as a true record and signed by the Chair.

435 1.5/ TO APPROVE THE MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD ON 27TH 2020

436 The minutes of the joint Audit and Finance Committee meeting to hold a tender process for the appointment of new UCEM auditors, held on 27th February 2020, were **APPROVED** as a true record. They will also be approved by the Honorary Treasurer, Jat Branch, at Finance Committee on 21st May 2020.

437 1.6/ TO APPROVE THE REDACTED MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD ON 27TH FEBRUARY 2020

438 The Committee **AGREED** that the minutes of the joint Audit and Finance Committee meeting on 27th February 2020 should not be published (fully redacted) as they are wholly confidential. This decision will also be approved by the Honorary Treasurer, Jat Branch, at Finance Committee on 21st May 2020.

439 1.7/ TO CONSIDER MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA

440 The summary showing the outcome of actions from the meeting held on 27th February 2020 (paper 1.7) was taken as read with all actions being closed and/or due for discussion within the meeting.

441 The key outstanding action that will be addressed at the next meeting of the Committee was the audit on UCEM Cyber Security. This had been planned for 17th March but was postponed at the last minute due to the anticipated Ofsted visit and then the Covid-19 lockdown, both of which coincided with 17th March 2020. The entire audit programme has now been rescheduled to be held remotely between the consultant and all relevant staff on 11/12 May 2020. The Self-Assessment of the remaining parts of cyber security and the audit report itself will be presented to the Committee at its next meeting for review.

442 2.1/ TO REVIEW RISK AT UCEM

443 The Audit Committee agreed at its last meeting to consider risk more strategically in the future and as a result it was presented with a new (draft) Strategic Risk Register (paper 2.1a). The previous register (paper 2.1b) will now be known as the Operational Risk Register. A PESTLE approach has been taken to determine which risk were strategic in nature. It is anticipated that the strategic risk register will inform the Board's strategic discussions on 19th June 2020. The Committee was requested to approve the strategic risk register and to discuss whether it contains the right items at the appropriate scores.

444 The Committee welcomed the separation of the risk register into the two documents in order to help the Board to focus on critical items and **NOTED** the frequency with which each document would be reviewed. The Executive would regularly review the strategic risk register ahead of its presentation to the Committee. The Audit Committee would also have oversight of the higher-level operational risks as part of its meetings. The Academic risks are monitored through Academic Board twice a year. SLT reviews the operational risk register quarterly.

445 The Committee **AGREED** that the strategic risk register provides a comprehensive overview of the external environment risk factors and the truly critical items that should be considered at Board level. The Committee also **AGREED** it was a manageable and appropriate number of risks for the Board to be considering.

446 **REDACTED**

447 The Committee **RECOMMENDED** that the Board discusses the impact of Covid-19 on the business further at its meeting in June 2020.

448 The Committee **APPROVED** the revised structure of risk management at UCEM. It will focus on the strategic risks and will receive a regular report on the management of operational risks. The Committee will focus on where risks inter-relate between the two registers.

449 2.2/ TO REVIEW THE UCEM BCP RESPONSE TO THE COVID-19 PANDEMIC

450 Kathy Matthews, Head of Facilities Management, joined the meeting to present paper 2.2, the UCEM Business Continuity Planning (BCP) response to the impact of the Covid-19 pandemic.

451 KM reported that the BCP planning work undertaken 12-18 months ago had paid off in terms of how UCEM was able to respond to the emergency situation. The UCEM response increased throughout February and March until staff were eventually sent home to work at the start of the lockdown on 17th March 2020. Student workshop delivery moved wholly online at end February. Strong communications channels were established internally and externally and all elements of the BCP plan tested in real time. As a result, UCEM is in a strong position and is continuing business as usual and preserving the student experience. There are some minor concerns about productivity and the capability of line managers within UCEM to support the ongoing remote-working model, but these are being managed.

452 UCEM is currently assessing the likely medium- and longer-term impacts of the situation, such as how offices may be used in the future whilst social distancing measures have to be preserved. UCEM anticipates remote working to remain in place for some time yet but is planning for the re-occupation of Horizons on a phased approach and with significant changes to previous working practices and cultures. The crisis has helped UCEM to focus on essential and priority work only and to find efficiencies, which it is hoped will be retained once a return to normal is possible.

453 The Committee thanked KM for her work and role in transitioning UCEM to remote working and praised UCEM for how it has handled the crisis.

454 The Committee queried the occupancy of Shinfield Grange. KM confirmed that tenants have vacated the premises but continue to pay rent, although KM is now being approached about rent reduction as the lockdown period continues. Some basic grounds maintenance has continued in the past seven weeks.

455 The Committee also discussed the ongoing health and wellbeing of staff, especially with regards to mental health. KM responded that this had been a key focus of staff communications activities which have been put in place since home working began.

UCEM also has 15 fully trained mental health first aiders and is focusing on Mental Health Awareness week in May 2020.

456 The Committee **NOTED** the update provided on the business continuity response to the crisis and **AGREED** that the testing of the plan in full and the strong UCEM response to the crisis means that further testing of the plan will be removed for the Committee's Audit Plan for next year.

457 The Chair thanked KMa for the update and invited her to leave the meeting.

458 2.3/ TO CONSIDER THE MANAGEMENT OF RISK IN HONG KONG

459 The Committee was reminded of its discussion and decision to review risk in Hong Kong at its last meeting. Stephen Bartle, Director for Commercial and Business Development, joined the meeting to present paper 3.1, an overview of the risks in the Hong Kong operation.

460 SB reported that circumstances had been difficult in Hong Kong over recent weeks but that the government has now announced that offices can start to reopen on 4th May, with social distancing measures remaining in place. For UCEM, the key impact of the ongoing social distancing is that it cannot host events in the office, which has always been a crucial part of student recruitment activity.

461 The specific risks in the risk register relating to Hong Kong include the impact of the ongoing political situation, followed by lockdown, on the viability of continuing with an office in the region. The Committee **NOTED** that political unrest remains but UCEM has been less impacted than other institutions as it does not have a campus base.

462 The Committee **NOTED** that failure of meeting Non-Local Courses Registry (NCR) requirements is a risk but is very well managed through the Academic Quality Unit at UCEM.

463 The Committee **NOTED** that a key challenge in Hong Kong had been to grow and maintain student numbers, which are down 26% on target for the year but not inconsistent overall with the wider UCEM business performance. UCEM is currently trying to develop the sponsored student business in the region but as Hong Kong is in recession this too is challenging.

464 Legislative compliance has also posed challenges to UCEM operations. UCEM continues with advisers Nova for business advisory services and accountancy support.

465 **REDACTED**

466 Finally, the Committee **NOTED** that UCEM's English Language Requirements and the lack of any local teaching are the two key things preventing UCEM from accessing and gaining maximum benefit from the Hong Kong operation. The Executive will be reviewing these matters further and in greater detail in the near future as part of a strategy to develop and grow the market.

467 The Chair thanked SB for his update and invited him to leave the meeting.

468 **2.4 / REDACTED**

469 REDACTED

470 REDACTED

471 REDACTED

472 REDACTED

473 **3.1/ TO REVIEW AND REFINE THE ANNUAL AUDIT PLAN**

474 The Committee was presented with an overview of audit planning (paper 3.1a). The Committee **NOTED** that the schedule forms a 3-year plan linking the relevance of the audit back to the compliance and regulation requirements of the institution. It also provides indicative timescales for each audit.

475 The Committee **NOTED** that the further updates it had requested on compliance with ESFA funding rules and the Ofsted Consultancy received would be provided later in the meeting.

476 The Committee **AGREED** that following discussion of the risks to the UCEM Asia Ltd business earlier in the meeting that no further external review was required, and it will be removed from the Audit Plan. The Committee was content to rely on further updates from Stephen Bartle.

477 The Committee **NOTED** again that the planned Cyber Security audit had been delayed due to the Covid-19 pandemic which closed Horizons on the day the audit had been planned. This work is now being organised remotely for dates in May and the outcomes will be reported to the Committee at its meeting in October 2020. The self-assessment report results will also be circulated.

478 The Committee **NOTED** again that the planned audit of Business Continuity Planning in 2020-21 was now unnecessary as the BCP plan has been fully tested as a result of the Covid-19 pandemic. The Committee therefore **AGREED** to remove this from the 3-year Audit Plan.

479 The Committee discussed the potential for an audit of the UCEM business and structures to determine how fit for purpose they are, in light of the likely need to resize the business to fit income in the coming year. This could take the form of external review of whatever plans are developed and it would give reassurance to the Executive of the decisions it makes and provide an audit trail on rationale. It was **AGREED** it was probably too soon to plan any specific audit activity at the current time but that this should remain an option later in the year.

480 The Committee **APPROVED** the Audit plan with the changes agreed.

481 **3.2/ TO REVIEW THE ONGOING COMPLIANCE OF UCEM WITH ESFA FUNDING RULES (FOLLOW-UP TO THE AUDIT ON CONTROL OF PUBLIC MONEY)**

482 The Committee invited John Pratt to join the meeting.

483 The Chair reminded the Committee that it had continued to receive regular updates on the work to improve processes and ensure compliance with ESFA funding rules as a result of its first audit on control of public money in 2019. JP provided a further update to the Committee in accordance with the report at paper 3.2.

484 **REDACTED**

485 The Committee discussed whether further support from Mike Speight would be useful but agreed the issue now lies in UCEM enforcing its processes and holding staff to account where they are not followed. UCEM is working on this and has made significant progress in recent weeks as Ruth Grindey has taken on data quality controls and enforcing process with the relevant staff. JP will continue to build competence and knowledge in staff. Internal capacity is the key factor in resolving this.

486 The Committee **AGREED** that a further report from JP later in 2020 to provide an update on the embedding of new controls and the building of staff competence, capacity and knowledge would be welcome.

ACTION JP to provide a further update report to the Committee on ongoing compliance with ESFA funding rules later in 2020. [JP]

487 3.3/ TO REVIEW THE OUTCOMES OF THE OFSTED CONSULTANCY IN FOLLOW-UP TO MOCKSTED AND IN READINESS FOR AN OFSTED INSPECTION

488 The Chair invited JP to provide an update on the outcomes of the Ofsted Consultancy UCEM received in March in follow-up to Mocksted in 2019 and in readiness for the anticipated full Ofsted inspection (see paper 3.3).

489 UCEM received a call from Ofsted on 13th March 2020 for a full inspection to take place from 17th March. This was deferred on the start of lockdown measures for Covid-19 on 16th March 2020. UCEM has three days of consultancy prior to the planned visit and has some days since, with a final few still planned. The consultant reports that in his view UCEM is now ready for inspection and would receive a 'good' outcome as it has engaged learners who are positive about the institution, the progress review process is comprehensive and student outcomes are good. A written report as an outcome of the consultancy days will be provided and shared with the Committee once available.

ACTION Share final Ofsted consultancy outcome report with the Committee. [JP]

490 The Committee queried whether UCEM was prepared for the inspection when it received the call. JP reported that the two-day period was a learning experience and some enhancements are being made, largely to logistical activities.

491 The Committee commended the UCEM team for the work to date and were pleased that the interventions undertaken were having the desired impact.

492 The Chair thanked JP for his update and invited him to leave the meeting.

493 4.1/ TO APPROVE THE VALUE FOR MONEY STATEMENT 2018-19

494 JEF reminded the Committee that it had approved the overall format for the 2017-18 Value for Money Statement in June of 2019 and that this has been published on the UCEM website. At its last meeting, the Committee has requested further refinement of the indirect costs' categorisation on the 2018-19 statement ahead of publication. This work has been completed and the Value for Money Statement 2018-19 V3 was presented in paper 4.1 for the approval of the Committee ahead of publication on the UCEM website.

495 The Committee requested that the Student and Academic Provision and Apprenticeship provision categories be collapsed together in order to provide a higher percentage total spend on direct student costs. Minor amendments to the narrative will be required to support this change. The Committee was happy to **APPROVE** the statement thereafter for publication.

ACTION JEF to provide the minor amendments to the Value for Money statement to the Committee via email for final approval and publication ASAP. [JEF]

496 5/ ANY OTHER BUSINESS

497 Richard Bott observational feedback on the meeting which he said started on time, ended on time and the technology worked seamlessly, which is not often the norm. RB praised the risk discussions and the positive approach to risk management.

498 There being no other business, the Chair closed the meeting at 12.02pm.

Date of next meeting:

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

Signed: 

Name: Stephen Jackson

Position: Chair Audit Committee

Date: 22nd October 2020