

AUDIT COMMITTEE

22ND OCTOBER 2020

REDACTED MINUTES FOR PUBLICATION

A Meeting of the Audit Committee was held via Zoom video conference from 10.00am-12 noon on Thursday 22nd October 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:	Mrs L Downey (LD)	(for item 4.3 only)
	Mr G Edwards (GE)	(for items 3.1 and 3.2 only)
	Mrs H Edwards (HE)	(for item 5.1 only)
	Mrs J E Fawkes (JEF)	(UCEM Secretary)
	Ms R Grindey (RG)	(for item 3.3 only)
	Mrs L Hughes (LH)	(Note taker)
	Mr I Musgrave (IM)	(for item 4.3 only)
	Mr J Pratt (JP)	(for items 2.2 and 4.2 only)
	Mr Mike Speight (MS)	(for items 2.2 and 4.2 only)
	Mr A Wheaton (AW)	(Principal)
	Mr D Wyatt (DW)	(for item 4.3 only)

Apologies for absence:

499 **1.1/ DECARATION OF ANY CONFLICTS OF INTEREST**

500 There were no conflicts of interest reported.

501 **1.2/ TO RECEIVE APOLOGIES FOR ABCENCE**

502 There were no apologies for absence.

503 **1.3/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 30TH APRIL 2020**

504 The minutes of the Audit Committee meeting held on 30th April 2020 (as included at paper 1.3) were **APPROVED** as a true record and signed by the Chair.

505 **1.4/ TO APPROVE THE REDACTED MINUTES OF THE MEETING HELD ON 30TH APRIL 2020**

506 The redacted minutes of the Audit Committee meeting held on 30th April 2020 were reviewed and **APPROVED** as a true record and signed by the Chair. They will be published on the UCEM webpage immediately after the meeting.

506 1.5/ TO NOTE ONE CHAIRS ACTION SINCE THE LAST MEETING

507 The Committee **NOTED** the that Chair of the joint Audit and Finance Committees / Vice Chair of UCEM, Dr Stephen Jackson, signed the letter of engagement for new UCEM Auditors Mazars on behalf of the Committees in June 2020 as a Chair's Action.

508 1.6/ TO CONSIDER MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA

509 The summary showing the outcome of actions from the meeting held on 30th April 2020 (paper 1.6) was taken as read with all actions being closed and/or due for discussion within the meeting.

510 1.7/ TO CONSIDER UCEM COMPLIANCE WITH THE CUC CODE OF PRACTICE FOR HIGHER EDUCATION AUDIT COMMITTEE'S

511 JEF advised the Committee that the CUC had published its Code of Practice for Higher Education Audit Committees in June 2020 and paper 1.7 provides an assessment of UCEM's compliance with this code at a broad and high level. The full detail will be analysed over the coming months.

512 The Committee **NOTED** that in general it is compliant with the Code. The Committee would like the Nominations and Governance Committee, as part of a wider review of Committee membership and roles and in line with the incoming Chair assuming office, to consider whether the Vice Chair being Chair of the Audit Committee allows for appropriate independence and challenge and is therefore against the spirit (rather than the letter) of the Code, at its meeting in January 2021. This discussion will ensure the matter is given appropriate consideration and safeguards are put in place if necessary.

ACTION: Schedule a discussion on committee membership and roles by the Nominations and Governance Committee in January 2021 to also consider the ongoing appropriateness of the Vice Chair being the Chair of Audit Committee. [JEF]

513 The Committee **NOTED** that the only area where UCEM might enhance compliance is with regards to its internal audit function. Larger institutions would naturally have a team focussed on this but UCEM channels this function through the University College Secretary. The Committee suggested UCEM prepares a statement to outline the ways in which it does perform the core functions of an internal audit team and complies with the expectations of the code, albeit in a less formal capacity.

ACTION: Prepare a statement on the ways in which UCEM does comply with the CUC Code of Practice for Audit Committees in terms of the functions an Internal Audit team would perform. [JEF]

514 The Committee formally **ADOPTED** the CUC Code of Practice and confirmed its intention to give due diligence to the Code with regards to how the Audit Committee operates.

515 1.8/ TO APPROVE THE AUDIT COMMITTEE ANNUAL REPORT 2019-20

516 The Committee's draft annual report for 2019-20 was presented in paper 1.8 for the approval of the Committee ahead of being presented to the Board of Trustees for formal approval at its November 2020 meeting.

517 The Committee **NOTED** the work of the Audit Committee in 2019-20 and its strong record of activity on managing risk and controls within the institution through the audits it has commissioned, as well as its ongoing review of the risk register. The Committee also recognised the focus on ensuring and monitoring compliance with all Office for Students Conditions of Registration.

ACTION: Add to the report the outcomes of the Committee's work and an assessment of the impact of its work. Circulate to the Committee for approval in November before it proceeds to the Board for final approval on 27th November 2020. [JEF]

518 The Committee **NOTED** that new Trustee Wendy Appleby will be joining the Committee in 2021.

519 The Committee thanked JEF and LH for their work to further enhance the role and functioning of the Committee and to ensure it is focussed on the appropriate matters.

520 2.1/ TO REVIEW RISK AT UCEM

521 The Audit Committee now considers risk more strategically and as a result it now reviews both a strategic and operational risk register at each meeting (papers 2.1a and 2.1b). The Committee was requested to note the items of highest institutional risk on the registers and to discuss whether the mitigating actions are appropriate.

522 The Committee **NOTED** that there had been no significant changes to the Strategic Risk Register since April 2020 but that the risk on Student Number Controls had been removed. The committee **NOTED** that the key risk remains Covid-19 and its fundamental impact on financial sustainability and operational efficiency of the institution. The appointment of Mike Speight to Director of Apprenticeships Compliance provided some mitigation and reassurance to the Committee on the ongoing ESFA Funding Compliance risk.

523 The Committee queried whether Brexit should be considered a strategic risk for UCEM, but it was considered low risk due to the lack of direct implications on the institution.

524 The Committee considered a 3 on probability of risk EO4 (failure to meet regulator conditions of registration) was overly cautious. It also agreed that the risk of removal of degree awarding powers should be considered a probability 2 and a 5 in terms of impact which would be catastrophic to UCEM.

ACTION: Amend probability and impact scores on risk EO4. [JEF]

525 The Committee **NOTED** that as far as possible the risks on the Strategic Register have been mitigated and UCEM is continuing with business as usual without impacting the student experience and with an increased focus on staff wellbeing.

526 The Committee **NOTED** the key operational risks for UCEM currently as compliance with ESFA funding rules, Ofsted, cybersecurity and compliance with OfS Conditions of Registration. The register has been reviewed in detail by the Senior Leadership Team and two new risks had been added E1B and E2B, relative to the ongoing ESFA compliance work and the prospect of Ofsted being the inspection body for all higher-level apprenticeships.

527 The Committee considered whether the impact of Covid-19 on the operations of the institution should be a risk in its own right, such as the incapacity of key personnel which would make it operationally challenging for UCEM. A risk around ongoing staff wellbeing would also be prudent as this remains a risk with the continuing impact of the pandemic.

ACTION: Add risk to the Operational Risk Register directly related to Covid-19 on incapacity of key personnel and staff wellbeing. [JEF]

528 The Committee **AGREED** to spend increased time at the next meeting reflecting on risk and how the institution deals with it.

ACTION: Schedule a more in-depth discussion on risk at the next meeting of the Committee. [JEF/LH]

529 Finally, the Committee **NOTED** that the academic risks were reviewed in full by the Academic Review Committee on 14th October 2020.

530 2.2/ TO RECEIVE AN UPDATE ON THE LEVEL 3 PROGRAMME CLOSURE PLAN AND RISKS

531 John Pratt, Director of Apprenticeships, and Mike Speight, Director of Apprenticeships – Compliance, joined the meeting to present paper 2.2, a Committee update on the progress with level 3 programme closure and mitigation of associated risks.

532 JP reported that all risks to the business have been considered and factored into a full teach out plan which has been adopted through the work of a Programme Closure Group and he outlined some of the key activities undertaken to date. The majority of apprentices at Level 3 will complete their studies in Autumn 2021, but a few will continue to complete in June 2022. On balance the risks associated with the run out of the programme are now considered low and the handover of responsibilities from JP to MS is underway.

533 The Committee queried the role of Ofsted Quality Nominee with the retirement of JP. AW responded that the role belongs to MS for Level 3 but that UCEM is still considering its response to the introduction of Ofsted at Levels 6 and 7 and the work it will have to undertake to prepare for this from April 2021. Ofsted has yet to publish information on inspection methodologies or any further guidance.

534 The Committee **NOTED** the update provided on the closure plan and were satisfied with the progress to date.

535 The Chair thanked JP and MS for the update and invited them to leave the meeting.

536 3.1/ TO CONSIDER UCEM COMPLIANCE WITH OFS CONDITION OF REGISTRATION D – FINANCIAL SUSTAINABILITY AND VIABILITY

537 Gethin Edwards, Director of Regulatory Compliance, joined the meeting to present paper 3.1, which provides an overview of UCEM’s compliance with Condition of Registration D, the overall financial sustainability and viability of the institution and the ways in which UCEM is able to demonstrate its ongoing compliance with the condition.

538 The ways in which UCEM demonstrates compliance include completion of the financial return to OfS in December 2019, appointment of new auditors with working knowledge of OfS, annual budget monitoring and setting through Finance Committee and Board of Trustees regular oversight of reserves and overall financial sustainability.

539 The Committee welcomed the reassurance provided in the paper and **AGREED** that UCEM’s compliance with condition of registration D: financial viability and sustainability is clearly demonstrated.

540 3.2/ TO CONSIDER UCEM COMPLIANCE WITH OFS CONDITION OF REGISTRATION G2 – COMPLIANCE WITH TERMS AND CONDITIONS OF PUBLIC FUNDING FROM THE OFS

541 Gethin Edwards presented paper 3.2, which provides an overview of UCEM’s compliance with Condition of Registration G2, the terms and conditions for being in receipt of public funding from the OfS and the ways in which UCEM is able to demonstrate its compliance with the condition.

542 GE reported that UCEM has used the student premium funding to help fund the work of the Disability and Wellbeing team. A significant proportion of the premium to support successful student outcomes was used to help develop the new Transform modules. UCEM has used funding for the Student Outreach Manager’s salary, who leads on the institution’s outreach and widening participation work and manages the careers service and the Disability and Wellbeing team. A large proportion of funding was also used to fund the Learning and Teaching Enhancement team. Finally, funding was used to support the set-up of the Widening Participation Working Group, the administration of the Hardship Fund and the work to scope out the Full Time Offer. The Committee **NOTED** these activities and UCEM’s belief that the funding was used where it will have the most impact on student success rates. The Committee also **NOTED** that the Regulator can reclaim funding from UCEM if it deems it was not properly utilised for the purposes for which it was provided.

543 The Committee **NOTED** that UCEM is still working to identify the best way to allocate the capital funding received given its lack of a physical campus and the decision to not proceed with the 58 Queen’s Road premises.

- 544 The Committee also **NOTED** that the new Auditors have challenged UCEM throughout their investigations and their detailed questioning has provided additional reassurance to UCEM on how it allocates the funding and how it complies with the OfS.
- 545 AF recommended providing additional granularity of data on the larger sums of money and GE assured him this does exist if required.
- 546 The Committee **NOTED** UCEM's compliance with Condition of Registration G2 and **AGREED** that the ways in which UCEM has spent the funding received from OfS has been appropriate. The Committee **AGREED** that UCEM has met OfS requirements and that its distribution of the funds represents value for money.
- 547 The Chair thanked GE for the two papers and invited him to leave the meeting.
- 548 3.3/ TO CONSIDER UCEM COMPLIANCE WITH OFS CONDITION OF REGISTRATION F4 – DATA RETURNS**
- 549 Ruth Grindey, Director of Development, joined the meeting to present paper 3.3, which provides a further update to the Committee on UCEM's ongoing compliance with Condition of Registration F4, data returns. The report provides details on compliance in a RAG rating as requested by the Committee at its February 2020 meeting and outlines the initial outcomes of consultancy support UCEM received in September 2020 on data governance.
- 550 RG reported that UCEM has been informed this week that the institution does not have to complete the Estates Management return to HESA this year. Several other statutory data returns are complete and at sign-off stage. RG has also been involved in the ILR return on Rathbone Funding which should return £70-80K to UCEM. RG reported that the Error Summary Reports on Transparency Data Return and HUSID are also being managed with deadlines in November and October respectively.
- 551 The Committee **NOTED** the update provided on compliance with condition F4 and were assured by RG that there are no longer any significant concerns since the last update to the Committee in February 2020.
- 552 The Committee **NOTED** the data governance consultancy support that UCEM received from Andy Youell to help it ensure accuracy of data returns and ongoing compliance with condition F4 in the future.
- 553 The Committee **NOTED** the RAG rated view of overall compliance with all elements of the data expectations in condition F4.
- 554 The Committee **NOTED** that that further updates on data governance will be provided to the Committee as part of ongoing monitoring of this condition and, in particular, once the action plan has been fully adopted and put in place. The Committee welcomed UCEM's evolving maturity on data management and use.
- 555 The Chair thanked RG both for her update and her incredible work since February 2020 to improve the position on statutory data return. RG was then invited her to leave the meeting.

556 4.1/ TO REVIEW AND REFINE THE ANNUAL AUDIT PLAN

557 The Committee was presented with an overview of audit planning (papers 4.1 and 4.1a). 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. The updated plan provides a pragmatic approach to what can realistically be achieved in the ongoing home working situation and in the knowledge that there is still work to be completed to implement all recommendations from existing audits carried out to date.

558 The Committee **AGREED** that the focus in the immediate future should be on reducing the internal burden of external audits whilst remote working continues as a result of the Covid-19 pandemic and UCEM progresses its application for permanent Degree Awarding Powers. The Committee further **AGREED** that the focus will remain on reducing risks in the identified workstreams of ESFA audit, data governance and cybersecurity.

559 The Committee **NOTED** that the Terms and Conditions of Contract were reviewed by Beachcrofts in summer 2020 in order to ensure CMA compliance and that as a result a CMA audit is now not necessary immediately. CC agreed to share with JEF an audit from his own institution on CMA compliance which may support UCEM in a less labour-intensive way in the coming year.

ACTION: Share CMA audit work from BPP with UCEM. [CC]

560 The Committee **AGREED** that it should schedule an audit on Value for Money related to the use of public funds received from OfS in late 2020-21. AF agreed to share a report and his experience of an audit on Value for Money with JEF.

ACTION: Share audit report work on Value for Money from IFA with UCEM. [AF]

561 AM suggested UCEM should commence reporting on institutional carbon emissions in its annual report in the future. JEF confirmed this would be part of the HESA Estate Management statutory data return that UCEM will complete in 2021-22.

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

563 4.2/ TO REVIEW THE ONGOING COMPLIANCE OF UCEM WITH ESFA FUNDING RULES (FOLLOW-UP TO THE AUDIT ON CONTROL OF PUBLIC MONEY)

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

565 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 4.2.

566 **REDACTED**

567 **REDACTED**. MS will bring a further update to Audit Committee in February 2021.

568 REDACTED

569 REDACTED

570 The Chair thanked JP and MS for the update and invited them to leave the meeting.

571 4.3/ TO REVIEW THE OUTCOMES OF THE CYBERSECURITY AUDIT

572 The Committee invited Ian Musgrave (from UNIAC), Lynne Downey (Vice Principal Digital Education and Professional Services) and Dan Wyatt (Head of Technology and Systems) to join the meeting.

573 IM presented the outcomes of his cybersecurity audit, undertaken at UCEM in May 2020, to the Committee (see paper 4.3). IM reminded the Committee that UNIAC carries out cyber assurance work using the National Cyber Security Centre's Ten Steps to Cyber Security framework. UCEM assessed the risk management regime, user education and awareness and incidence management. Overall UCEM received a 2 on a four-point scale which gives 'reasonable assurance'. The report made various recommendations to which management provided a response. These related to ongoing cyber risk and assurance, governance, user education and training, security compliance, IT and cyber policies, and incident handling.

574 The Committee thanked IM for undertaking the audit work and the reassurances this provides to the Board of Trustees. The Committee **NOTED** the recommendations in the post-audit report.

575 DW then provided a management response to the audit findings. DW has put in place a comprehensive action plan to address the recommendations which aims to be fully implemented by February 2021. This includes the establishment of an IT Risk Register, a rationalisation of IT policies and mandatory cyber security training for all staff. DW will provide a progress update to the Committee in 2021.

576 The Committee queried where the risk resides and was informed that it is predominantly in user knowledge of staff, which has been enhanced by the prolonged home working which makes communications more challenging.

577 The Committee **WELCOMED** the comprehensive plan and constructive discussion and look forward to receiving further updates on completion of the agreed actions in early 2021.

578 The Chair thanked IM, LD and DW for their contributions and invited them to leave the meeting.

579 5.1/ TO APPROVE THE PREVENT ANNUAL REPORT, RISK REGISTER, ACTION PLAN AND ANNUAL ACCOUNTABILITY RETURN

580 Helen Edwards, Director of Academic Quality, joined the meeting to present the UCEM Prevent Annual Report, Risk Register and Action Plan (paper 5.1) and the proposed Annual Accountability Return (paper 5.1a) for the approval of the Committee on behalf of the Board of Trustees through delegated authority.

581 HE provided reassurance to the Committee of UCEM's ongoing commitment to meeting its Prevent Duty obligations. Just two risks remain at amber post-mitigation and many enhancement activities have been undertaken this year, including refresher training for all staff and an increase in web filtering. UCEM recorded one suspected case but it was swiftly resolved; the level of institutional risk therefore remains low. UCEM remains diligent in its responsibilities and maintains a good relationship with the Prevent Controller.

582 HE reported that the Committee could not sign-off the Accountability Statement as initially anticipated because the OfS have just introduced new requirements on the impact of Covid-19 and on student welfare. These adjustments to the statement will be prepared and the Board of Trustees will be asked to sign off the statement on 27th November 2020.

ACTION: Provide the amended Accountability Statement to the Board of Trustees to sign-off at their November meeting. [HE]

583 The Committee **AGREED** to hold a more substantive discussion on Prevent at the next meeting so that it can reassure itself and the Board that it is discharging its duties appropriately.

584 5.2/ TO REVIEW AND MONITOR UCEM COMPLIANCE ACTIVITIES

585 The Committee reviewed paper 5.2, an update on compliance activities noting that Audit Committee is fully responsible for compliance monitoring as a delegation of authority from the Board. The Committee was reminded it is responsible for overall oversight and need only raise any significant or concerning matters to full Board.

586 The Committee **NOTED** the major updates in the report and that overall, there are no issues of concern to raise to the Committee's attention.

587 5/ ANY OTHER BUSINESS

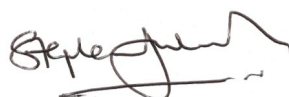
588 The Chair thanked the Committee for the discussions and the quality of paperwork to support the wealth of important subjects covered in the meeting. They thanked the UCEM team for their ongoing work and commitment in a challenging time.

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

Date of next meeting:

4th March 2021

Signed:



Name: Dr Stephen Jackson

Position: Chair of Audit Committee

Date: 4th March 2021