

AUDIT COMMITTEE

4TH NOVEMBER 2021

REDACTED MINUTES FOR PUBLICATION

A Meeting of the Audit Committee was held in person at UCEM, Horizons, 60 Queen's Road, Reading, RG1 4BS and via Zoom video conference from 10.00-12.00am on Thursday 4th November 2021.

Present:	Mr C Costigan (CC)	
	Mr A Fraser (AF)	
	Professor K Miller (KM)	
	Dr S Jackson (SJ)	(Chairman)
	Mr A Martin (AM)	
In attendance:	Ms H Al-Katib (HA-K)	(for items 2.1, 2.2 & 4.1 only)
	Mr S Bartle (SB)	(for item 2.3 only)
	Mr T Bennett (TB)	(for item 2.3 only)
	Mr G Edwards (GE)	(for item 3.1 only)
	Mrs J E Fawkes (JEF)	(UCEM Secretary)
	Mrs L Hughes (LH)	(Note taker)
	Mr T Mills (TM)	(for item 4.3 only)
	Mr A Wheaton (AW)	(Principal)
	Mr A Youell (AY)	(for item 3.2 only)
Apologies for absence:	Mrs W Appleby (WA)	

1) GENERAL MEETING GOVERNANCE

761 1.1/ DECARATION OF ANY CONFLICTS OF INTEREST

762 There were no conflicts of interest reported.

763 1.2/ APOLOGIES FOR ABCENCE

764 There were apologies for absence from Wendy Appleby.

**765 1.3/ MINUTES AND THE REDACTED MINUTES OF THE AUDIT COMMITTEE
MEETING HELD ON 17TH JUNE 2021**

766 The minutes of the Audit Committee meeting held on 17th June 2021 (as included at paper 1.3) were **APPROVED** as a true record and signed by the Chair.

767 The redacted minutes of the Audit Committee meeting held on 17th June 2021 were reviewed and **APPROVED** as a true record and signed by the Chair. They were published on the UCEM webpage immediately after the meeting.

768 1.4/ MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA AND CHAIR'S ACTIONS

769 The summary showing the outcome of actions from the meeting held on 17th June 2021 (paper 1.4) was taken as read with the Committee noting that several actions remain in progress and will be reported again at the next meeting,

770 The Committee **NOTED** that one Chair's Action had been concluded since the last meeting, whereby the Chair of Audit Committee signed Mazars' Audit Strategy Memorandum on 23rd June 2021 following consultation with the wider committee via email in the days after 17th June meeting.

771 1.5/ AUDIT COMMITTEE ANNUAL REPORT 2020-21

772 The Committee reviewed the draft Audit Committee Annual Report for 2020-21 as presented at paper 1.5.

773 The Committee commented on the comprehensive overview of its work its demonstration of the value the Committee brings to the Board and the institution as a whole. The committee also commented on the diligence the committee members show in ensuring the committee fulfils its role effectively and thanked JEF/LH for their support in this.

774 The Committee **PRE-APPROVED** the Audit Committee Annual Report 2020-21 for submission to the Board of Trustees on 25th November 2021 for final approval. The report will be delivered to the Board in the name of the Chair of the Committee, Dr Stephen Jackson.

ACTION: Present the Audit Committee Annual Report 2020-21 to the Board of Trustees for approval in November 2021. [SJ]

2) RISK MANAGEMENT

775 2.1/ TO REVIEW RISK AT UCEM

776 The Chair welcomed Hannah Al-Katib to the meeting for items 2.1 and 2.2.

777 The Audit Committee considers risk strategically and operationally at each of its meetings, reviewing both a Strategic Risk Register and an Operational Risk Register (see 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.

778 The Committee **NOTED** that the highest-level risks remain the potential for reduction in Apprenticeship Levy funding given the growth of UCEM's apprenticeship provision and its significance as the primary institutional source of funding, the UK economic outlook and associated potential impact on income, and the long-term impacts of Covid-19. The Committee **NOTED** that the risk regarding

meeting UCEM's regulatory requirements has reduced since the last meeting with the appointment of Andy Youell as Executive Director Regulation. The Committee also **NOTED** the addition of a new risk to the strategic register regarding the governance review (Levitt Report) at RICS and any associated impact on the sector (though nothing has emerged as yet).

- 779 The Committee discussed what additional risks it might need to look at and new risks on the horizon it may need to be conscious of for the coming years. Increased competition from online learning providers in the wider sector is one such matter, alongside the shift in the operating landscape in general following the pandemic and the impacts it has had on all businesses. UCEM has also looked at its CX strategy and has ambition for increased automation and efficiency of processes to help with the long-term sustainability of the institution. Market insight research indicates increasing competition to UCEM in online postgraduate courses which UCEM must respond to adequately. UCEM must also be aware of and agile to the government's lifelong learning agenda and the long-awaited outcomes of the Augur Review into higher education funding.
- 780 The Committee was informed that UCEM has been notified it will have an ESFA funding audit in November 2021. This is alongside the permanent Degree Awarding Powers application assessment which is underway currently and the ongoing likelihood of an imminent Ofsted inspection. In the context of staff wellbeing and resource challenges in the institution at this time there is significant institutional risk.
- 781 **REDACTED**
- 782 The Committee recommended that in considering institutional risk mitigation UCEM reviews the likelihood of a multitude of economic risks crystallising at the same time and institutional resilience to this. Alongside this, the opportunities and potential upsides should be considered as mitigating factors, such as the potential for CPD provision once more and the opportunities in the sustainability agenda in light of COP26. UCEM will, however, need to be cognisant of resourcing any new activities appropriately given the existing pressures on its current workforce. It could also usefully review what it should no longer be doing and release resource this way. Profitability analysis will support this activity.
- 783 The Committee welcomed the appointment of Hannah Al-Katib to the Director of Strategy and Planning role and the opportunity this afford to look anew at institutional risk and opportunities in the coming year.
- 784 The Committee **NOTED** that as far as possible the risks on the Strategic Register have been mitigated and that the strategic risks identified on the register are measured and appropriate.
- 785 The Committee **NOTED** that the Operational Risk Register has been reviewed in detail by the Senior Leadership Team and that the key operational risks for UCEM currently are compliance with ESFA funding rules, Ofsted apprenticeships inspections at Levels 6 and 7 (noting that the risk at Level 3 has dropped as this programme has almost been taught out and closed), cybersecurity and compliance with OfS Conditions of Registration.

786 The Committee **NOTED** that the risk related to achievement of institutional KPIs for student success continues as a significant risk. A further increasing risk this quarter is the ongoing impact of Covid-19 on employee engagement and wellbeing.

787 As advised at the last meeting the risks relating to the APP have now been reduced as the variation request was approved and the risk around the Barings fund has also been reduced now the funds have been transferred successfully to Sarasin & Partners.

788 The Committee **AGREED** that the risks on the register and the mitigating actions were appropriate and that the ways in which UCEM reviews risk through delegation to the Audit Committee remained applicable.

789 2.2/ TO CONSIDER THE OUTCOMES OF THE ADVANCE HE WORKSHOP ON AUDIT AND RISK COMMITTEES

790 The Chair invited Hannah Al-Katib to provide some insights into best practice for Audit Committees and risk management in higher education following her attendance at a Risk and Audit Committees event held by Advance HE in October. HAK identified opportunities for the continual improvement of UCEM's own approaches to risk management and Audit Committee through her attendance and outlined these to the Committee.

791 HAK believed there are opportunities for UCEM to do more on risk management, focusing on institutional approach to tracking, reporting, managing and mitigating risks. It had been reassuring to note at the event that the risks UCEM faces are similar to other providers in the sector.

792 The Committee **AGREED** that UCEM should review its current risk management processes and tools to identify opportunities for enhancement to current approaches.

793 The Committee **AGREED** that UCEM should review the updated Higher Education Audit Committee Code of Practice, including use of the self-assessment tool, to identify opportunities for continual improvement of the Audit Committee's effectiveness.

ACTION: Undertake a review of UCEM risk management processes and tools and use the self-assessment tool to support this activity. [HAK]

794 The Committee **NOTED** that the slides presented at the workshop were available on the Trustee Portal as papers 2.2a-2.2d.

795 The Chair thanked Hannah Al-Katib for her contributions and invited her to leave the meeting.

796 2.3/ TO CONSIDER UCEM'S OPERATIONS IN HONG KONG AND ASSOCIATED RISK MITIGATION

797 The Chair welcomed Stephen Bartle and Tim Bennett to the meeting for item 2.3.

798 SB & TM presented an overview of UCEM's current operations in Hong Kong and some of the risks (political, pandemic, financial and operational) and associated

mitigations with ongoing operations there, as provided in detail in paper 2.3. The purpose of the paper and detail within it is to provide a full update ahead of any potential decision that could be required on the most suitable presence for UCEM in Hong Kong in the future.

799 Since the paper was written a further risk has been identified, that being that Hong Kong borders may remain closed for much longer than originally envisaged, into late 2022, which has implications for managing the team based in Hong Kong.

800 The Committee **NOTED** the key risks relating to UCEM's activities in Hong Kong. It further **NOTED** the actions being undertaken to mitigate against these risks and the effectiveness of those actions to date.

801 The Committee focussed its discussion on the strategic matters in the medium to long term, noting that the UCEM office lease will need to be renewed in June 2022 if deemed necessary. The Committee noted that the economy in the wider region is likely to continue to grow and that consequently UCEM should be exploring its potential in the Greater Bay area and Macau, which have less restrictions. It is unlikely Hong Kong alone can justify a long-term presence for UCEM in the region.

802 **REDACTED**

803 The Executive commented that there are three options for the future – continue with business as usual noting that the operation is not a significant financial burden or distraction on the core UCEM business; withdrawn from Hong Kong (which is complicated for teach-out reasons); or consider ways to strengthen the operation and take advantage of economic growth in the wider region (e.g. consider a market-specific offer). A business case/plan for each should be evaluated and a recommendation made to the Board of Trustees in the context of wider strategic discussions on UCEM's CX strategy and priorities.

ACTION: The Executive will prepare a business case/plan for the UCEM Asia Ltd operation to present to the Board in Spring 2022. [SB/AW]

804 The Chair thanked Stephen Bartle and Tim Bennett for their contributions and invited them to leave the meeting.

3) OFFICE FOR STUDENTS COMPLIANCE

805 3.1/ OVERSIGHT OF CONDITION OF REGISTRATION G2 – COMPLIANCE WITH TERMS AND CONDITIONS OF OFS FUNDING

806 The Chair welcomed Gethin Edwards to the meeting for item 3.1.

807 GE presented paper 3.1 which provided an overview of the funding UCEM received from the OfS in 2020-21 and how these funds were allocated in line with the terms and conditions of funding.

809 GE summarised the ways the funding was used which covered learning support, academic team costs and Transform, alongside those area of funding ringfenced for specific purposes, such as the disabled students premium. GE also advised that the funding was allocated in line with the allocation in the previous financial year, with the exception of Hardship Funding which was exclusive to the 2020-21 year.

810 The Committee recommended UCEM engages students, potentially through the Student Representative Community, in reviewing or inputting into how UCEM allocates the funding in future years as part of demonstrating value for money and best practice.

811 The Committee **NOTED** the ways in which UCEM allocated the funding received from the OfS in 2020-21. It has no issues to raise and noted that the Auditors has also reviewed this allocation and provided reassurances. The Committee therefore **DETERMINED** that UCEM had met OfS requirements and allocated the money appropriately.

812 The Chair thanked Gethin Edwards for his contribution and invited him to leave the meeting.

813 3.2/ DATA GOVERNANCE UPDATE

814 The Chair welcomed Andy Youell to the meeting for item 3.2.

815 AY provided a data governance update to the Committee which covered an update on developments around the management and oversight of data and the further development of capabilities around internal analysis and external reporting.

816 AY reported that his involvement, initially as an external consultant, and now as an employee commenced with a focus on helping UCEM adapt to meet the extensive and complex individual data return requirements of its regulators and each agency with whom it works. Work to date has, however, shown that data quality as a whole required review and a more coherent approach to be adopted, proportionate to UCEM's scale and complexity.

817 AY reported that ownership of data quality is essential, with staff being aware of this at the point of entry, particularly as UCEM's model is unique and does not fit the standard in each agency it reports to. AY also reported that the consequence of the high burden of external data reporting is that the provision of data internally is less readily available and more arduous to produce.

818 AY reported that UCEM is using industry standard tools to ensure UCEM is technically robust and secure in terms of data compliance and security but that even with this 80% of information security breaches are down to human error rather than system failure.

819 AY has put information security at the heart of UCEM's strategy to improve data governance. AY is currently working on implementing a Data and Governance Framework through restructuring of the relevant teams, reviewing data ownership and through development of a culture and mindset in all UCEM staff about data ownership and quality. Communication and training are at the heart of this plan.

820 The Committee referred to their ongoing concerns about quality of data in the apprenticeships team regarding ESFA funding compliance. AY assured the Committee that his work compliments that of Mike Speight and the changes being implemented underpin the improvements already made in this area.

- 821 The Committee **NOTED** the work being undertaken to provide coherent and comprehensive assurance around all aspects of data handling at UCEM.
- 822 AY recommended to the Committee that an internal audit on GDPR compliance should be postponed and subsumed into a wider-ranging review of data and systems governance.
- 823 The Committee **AGREED** to plan for an internal audit of the Data and Systems Governance Framework – including GDPR compliance – in late 2022 and not earlier as previously considered in Audit Committee meetings.
- 824 The Chair thanked Andy Youell for his contribution and invited him to leave the meeting.

4) AUDIT WORK

825 4.1/ THE ANNUAL AUDIT PLAN

- 826 The Chair welcomed Hannah Al-Katib back to the meeting for item 4.1.
- 827 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 Committee was reminded that in October 2020 it had agreed it would reduce the burden of further external audits during the ongoing pandemic, but re-considered the plan anew in June 2021, agreeing to look at profitability of modules and data protection in the current academic year instead.
- 828 The Committee agreed that the areas reviewed in past have been insightful and useful but that it now needs to think about it should audit next in light of institutional risks, UCEM's strategy and the available staff resources in the context of returning to normal post-pandemic.
- 829 The Committee **AGREED** (as above) to postpone a data governance/data protection audit until late 2022 and **NOTED** that the first steps in considering the profitability of modules work would be presented at item 4.3.
- 830 It was suggested that investigating UCEM's financial resilience might be a useful area of work alongside the profitability of modules and programmes. It was also suggested that oversight and review of institutional culture and potentially quality of line management might be useful, although this may overlap with the revised employee engagement survey being launched in November 2021. Finally, it was suggested that reviewing processes and controls for management of risk would be useful in order to ultimately ensure the risk register is a living and breathing institutional management document. This should ensure a natural synergy between the risk register and the audits planned by the Committee.
- 831 The Committee **NOTED** the Audit plan as presented and **AGREED** to create a strategy for audit that links directly to risk, risk management, strategic objectives and UCEM capacity and resource to deliver on this ambition. The Committee will review a revised plan at the next meeting.

ACTION: Prepare a revised audit plan, closely linked to the management of risk at UCEM, for review and discussion at the next meeting. [HAK]

832 The Committee also agreed it would consider annually whether to appoint an external Internal Auditor.

833 The Chair thanked Hannah Al-Katib for her contributions and invited her to leave the meeting.

834 4.2/ PREVENT AND SAFEGUARDING

835 JEF presented an overview of the work undertaken during the reporting period 2020-21 to comply with the government's Prevent duty and the Office for Students Prevent duty framework. She also presented the UCEM Prevent Risk Register and Prevent Action Plan. The Annual Report for Prevent is submitted to the OfS in November each year.

836 JEF reported that overall the risk at UCEM on Prevent remains low. The only area on the risk register remaining amber is the use of networks but this is being monitored. The Committee was pleased to note that there have been cases and referrals which show that UCEM processes are operating effectively and that OfS raised no issues on UCEM's compliance with the Duty earlier this year following review.

837 JEF informed the Committee that Lucy Kazandjian, UCEM's Safeguarding Officer, is on maternity leave and her role will be covered by an external consultant working alongside the wider UCEM team. CC, as Lead Trustee for Safeguarding, was confident the plans during this period are robust and workable.

838 The Committee **AGREED** that, in all aspects of meeting the Prevent Duty, UCEM continues to follow a proportionate and diligent response to the identified levels of risk.

839 4.3/ FINANCIAL PLANNING AND COST ANALYSIS

840 The Chair welcomed Tim Mills to the meeting for this item.

841 The Audit Committee was reminded that it had previously recommended to UCEM that it undertakes work to identify its costs by module and programme. Tim Mills provided an update on work to date and plans for the future in terms of being able to analyse module and programme profitability and enhance financial reporting more generally.

842 TM reported that a new planning and forecasting system was included in the budget approved for 2021-22. Phase one is currently being scoped and will include system build and staff training and will support budgeting and the OfS reporting work primarily. It will be built by Spring 2021. Phase two, which is currently unbudgeted, would allow module and programme costings to be calculated to better guide the business on questions of profitability with detailed and quality management information. The implementation of the new system will be transformational for UCEM and is low risk, outside of staff training.

843 The Committee **NOTED** the work to date by the Finance Team to develop and mature its financial reporting and costs analysis capabilities. The Committee acknowledged

that further investment will be required to successfully implement and adopt a planning system that can provide enhanced benefits such as production of reliable and insightful management information on matters such as profitability, and that it would support this in the budget presented for 2022-23 if possible.

844 The Chair thanked Tim Mills for his contribution and invited him to leave the meeting.

5) ANY OTHER BUSINESS

845 5/ ANY OTHER BUSINESS

846 The Committee **NOTED** that UCEM has been notified of an ESFA audit to take place in November. UCEM also continues to anticipate and full graded Ofsted inspection by Spring 2022. Both areas of work have had close scrutiny by the Committee over the last year and UCEM should present the Committee with outcome reports of each at the next meeting in March 2022.

ACTION: Present the Committee with summary reports of the EFSA audit outcome and the anticipated Ofsted inspection at the next meeting. [JEF]

6) CLOSE

847 The Chair thanked the Committee for the discussions and, there being no other business, closed the meeting at 11.55am.

7) MATTERS FOR NOTING ONLY

848 Three papers were presented to the Committee to provide an update on previous audit work undertaken, for which there was insufficient discussion time on the agenda.

849 7.1/ ESFA FUNDING COMPLIANCE

850 **REDACTED**

851 The Committee further **NOTED** that over the last twelve months, significant progress has been made in improving processes and understanding of compliance requirements to prevent recurrence of the issues and provide tighter controls over and greater assurance of compliance risks.

852 The Committee **NOTED** that whilst a degree of risk remains, the earliest cohorts of apprentices will begin to achieve their overall aims and move off the programme from 2021/22 thereby reducing the risk. The forward-looking view is of a programme with greater assurance of compliance and therefore lower exposure to financial, regulatory or reputational risk.

853 7.2/ UCEM OFSTED READINESS

854 The Committee **NOTED** UCEM's preparations for Ofsted inspection continue and that until notification of inspection arrives, briefings, reviews and testing will

continue to ensure the balance between preparedness and Ofsted-fatigue is maintained.

855 The Committee **NOTED** that the draft Self-Assessment Report presents the current internal view of UCEM apprenticeship provision, and the self-assessed view is Good across all areas of inspection.

856 The Committee **NOTED** that the areas identified as at risk at inspection are being mitigated as far as possible.

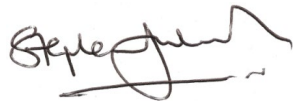
857 7.3/ UPDATE ON IMPLEMENTATION OF THE CYBERSECURITY AUDIT RECOMMENDATIONS

858 The Committee **NOTED** the update on UCEM's current position as a cybersecure institution, following the implementation of recommendations which emerged from the Cyber Security Audit in May 2020, as well as acknowledging the evolving risks which are surfacing in the sector today.

859 The Committee **NOTED** that the reduction in risk since June 2021 is a result of active use of the IT Risk Register, implementation of a new VPN system, active staff communications and planning for renewal of UCEM's Cyber Essentials Plus accreditation and associated Penetration Testing. The Committee further **NOTED** that UCEM continues to actively monitor UCEM's cyber security position.

**Date of next meeting:
3rd March 2022**

Signed



Name

Stephen Jackson

Position

Chair of Audit Committee

Date

3rd March 2022