

**AUDIT COMMITTEE**

**16<sup>TH</sup> JUNE 2022**

**REDACTED MINUTES FOR PUBLICATION**

A Meeting of the Audit Committee was held via Zoom video conference from 14.00-15.30pm on Thursday 16<sup>th</sup> June 2022.

Present:	Mr C Costigan (CC)	
	Mr A Fraser (AF)	
	Dr S Jackson (SJ)	(Chairman)
	Mr A Martin (AM)	
	Professor K Miller (KM)	
In attendance:	Ms H Al-Katib (HA-K)	(for item 2.1 only)
	Mrs H Edwards (HE)	(for item 3.2 only)
	Mrs J E Fawkes (JEF)	(UCEM Secretary)
	Mrs L Hughes (LH)	(Note taker)
	Mr T Mills (TM)	(for item 1.5 only)
	Mr M Speight (MS)	(for item 2.2 only)
	Mr A Youell (AY)	(for item 4.2 only)
Apologies for absence:	Mr A Wheaton (AW)	(Principal)

**1) GENERAL MEETING GOVERNANCE**

**955**            **1.1/ DECARATION OF ANY CONFLICTS OF INTEREST**

956            There were no conflicts of interest reported.

**957**            **1.2/ APOLOGIES FOR ABSENCE**

958            There were apologies for absence from Ashley Wheaton.

**959**            **1.3/ MINUTES AND THE REDACTED MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 3<sup>RD</sup> MARCH 2022**

960            The minutes of the Audit Committee meeting held on 3<sup>rd</sup> March 2022 (as included at paper 1.3) were **APPROVED** as a true record and signed by the Chair.

961 The redacted minutes of the Audit Committee meeting held on 3<sup>rd</sup> March 2022 were reviewed and **APPROVED** as a true record and signed by the Chair. They were published on the UCEM webpage immediately after the meeting.

**962 1.4/ MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA**

963 The summary showing the outcome of actions from the meetings held on 3<sup>rd</sup> March 2022 (paper 1.4) was taken as read with the Committee noting the one action which remains to be progressed and will be reported again at the next meeting (assessment of future of UCEM Asia Limited).

**964 1.5/ SCOPE OF THE UCEM AUDIT 2022 – AUDIT STRATEGY MEMORANDUM**

965 The Chair welcomed Tim Mills to the meeting for item 1.5.

966 TM presented the draft Audit Strategy Memorandum from Mazars (UCEM Auditors) for the review of the Committee. The proposal had already been reviewed by the Finance Team, refined and is now recommended to the Committee for approval as presented.

967 TM assured the Committee of his discussions with Mazars about the scope of the audit and the ways of working together through the 2022 audit to ensure a better process than last year. TM expects the audit team to be physically at Horizons this year following remote audits through Covid.

968 The Committee **APPROVED** the Audit Strategy Memorandum for the 2022 UCEM audit by Mazars.

969 The Committee **NOTED** that the fee for the audit is agreed and approved at £30,230.

970 The Chair thanked TM for his contribution and invited him to leave the meeting.

## **2) RISK MANAGEMENT**

**971 2.1/ TO REVIEW RISK AT UCEM**

972 The Chair welcomed Hannah Al-Katib to the meeting for item 2.1.

973 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.

974 HAK reported that key risks are the continued long-term impacts of Covid-19 and changes to ways of working, though an approach has been agreed and is being implemented. UCEM is retaining the flexibility of remote working where appropriate to the role as part of approaches to staff retention and flexibility, however, the Board will need to consider the future of the Horizons building once the new approach has been embedded. A new risk on UK economic outlook has been added to the Strategic Risk Register given the potential for imbalance between rising costs and income. The Finance Committee will be considering long-term financial sustainability in the

autumn. Finally, a new risk on potential changes to the education system resulting from government response to the Augur Review has been added to the register given it might negatively impact UCEM's market position.

975 IT security risks continue to feature on the Operational Risk Register though they are being mitigated. The risk of inflationary pressures impacting on operating costs has been increased, as has the risk of poor outcomes inviting regulatory attention (discussed at agenda item 2.2). New risks have been added to the register relating to meeting TEF requirements, meeting new quality standards set out by the ESFA, ongoing political instability in Hong Kong, copyright and to how RICS treats the Apprenticeship End Point Assessment. There have also been risks removed from the register and these include the Transform Project, Covid-19 impacts on wellbeing and the failure to meet expectations for Quality and Standards set out by QAA (merged with ongoing risk of meeting OfS Conditions of Registration).

976 It was suggested that risk FS13 which quotes the risk of pension increases by 6% be made more generic regarding pension contribution increases without a specific number.

**ACTION: Update risk FS13 to be more generic on pension increases. [HAK]**

977 The Committee further discussed risks around recruitment and retention of staff at the current time. UCEM recently announced a series of benefits enhancements as part of addressing this risk. The Committee welcomed this initiative but suggested that the Committee could discuss this risk and potential ideas to support mitigation in more detail at the next meeting, particularly given that UCEM pays at lower quartile rates.

**ACTION: Schedule a discussion on risk and mitigations on staff retention and recruitment for the next meeting. Invite Lisa Wilks to attend. [LH]**

978 The Committee **NOTED** that as far as possible the risks on the Strategic and Operational Risk Registers have been mitigated and that the risks identified on the register are measured and appropriate and that the ways in which UCEM reviews risk through delegation to the Audit Committee remains appropriate. The Committee **AGREED** there was nothing specific that needed to be raised to the attention of the full Board.

979 At its last meeting the Committee had discussed ways in which UCEM could develop its approach to institutional risk management. HAK presented how UCEM now proposes to manage risk internally and how the Audit Committee will retain oversight of this. The main focus of enhancements has been on merging the operational and strategic registers, clarity of information within each risk and on making reporting more visual. There has been the introduction of Impact Categorisation, changes to the risk matrix and increased referencing to the scorecard and strategy. An automated dashboard has been created for use both internally and for reporting to Audit Committee which should help the focus to be on current and relevant risks.

980 The Committee suggested that an £8M financial impact as critical was too high and that given UCEM's model and income profile it would be critical at a lower level of £3-4M or 25% of income. HAK reported that the £8M was related to UCEM's

reserves but she will discuss this with Tim Mills and refine if appropriate for the next meeting.

**ACTION: Refine the financial impact criticality amount down from £8M if appropriate for the next meeting. [HAK]**

981 The Committee suggested some housekeeping be carried out when transferring the risks into the single register in order to focus on the significant matters and to not overcomplicate and extend the register too much between high level strategic risks and very low-level operational risks that do not merit Committee time/scrutiny. The purpose of a single register was about practicality, ease of use and reduced repetition in the Register but HAK recognised there needs to be a way to focus on the critical and strategic risks when discussing at high levels though.

982 It was suggested that the Committee looks at scenario planning where some risks converge simultaneously in the future.

**ACTION: Consider some scenario planning of converging risks and how these might be mitigated at a future meeting. [HAK]**

983 The Committee **APPROVED** the new version of the Institutional Risk Register and how risk will be reported to the Committee at future meetings.

984 The Chair thanked HAK for her contributions and invited her to leave the meeting.

## **985 2.2/ STUDENT OUTCOMES AND ESFA REGULATOR EXPECTATIONS**

986 The Chair welcomed Mike Speight to the meeting for item 2.2.

987 Mike introduced paper 2.2 on ESFA/Ofsted risk relative to apprenticeship student outcomes at UCEM and UCEM's approach to mitigating the perceived increasing risk in this area, despite having recently passed inspections with both bodies.

988 **REDACTED**. The ESFA were helpful, supportive and collaborative in the discussions, but UCEM must now remain mindful of this aspect of compliance with regulator expectations in the future. UCEM's focus remains on supporting all students to be successful and this work benefits apprentices and non-apprentices equally. In addition, UCEM's performance, relative to its peers, remains positive, it is relative to published and expected benchmarks that UCEM is falling slightly short at the current time.

989 The Committee queried UCEM's agility to make enhancements where necessary and MS assured trustees that UCEM has all the management information it needs and reviews and reports on this monthly. It was also suggested that UCEM could consider introducing more short programme apprenticeships as full/long degree programmes typically have high levels of attrition. It was not considered this could have sufficient impact on UCEM numbers.

990 The Committee **NOTED** the increased risk in the two areas of ESFA compliance and meeting Ofsted requirements given the ongoing need to improve student outcomes at UCEM, but also **NOTED** that UCEM apprenticeship achievement rates already compare favourably with sector-wide indicators for apprenticeship standards in construction and the built environment.

991 The Chair thanked MS for his contribution and invited him to leave the meeting.

### 3) AUDITS

#### 992 **3.1/ UCEM'S MODEL OF EDUCATION – AUDIT PROPOSAL**

993 JEF provided an update on the work to commission an audit into UCEM's educational model (design and delivery related to learning hours) as agreed by the Audit Committee at its last meeting (paper 3.1). JEF reported that UCEM had held two exploratory meetings with UNIAC about undertaking this work and their proposed Terms of Reference and fee proposal for the Audit were presented to the Committee in paper 3.1a.

994 **REDACTED**. In addition, there has been a significant amount of internal work undertaken since the Committee agreed in March to explore the concept of an audit in this area. JEF recommended that the Internal Quality Audit group be asked to consider undertaking a benchmarking exercise in the future as an alternative. This work could potentially be externally reviewed thereafter to give externality and validation.

995 The Committee **AGREED** with the Executive recommendation not to proceed with this audit as proposed by UNIAC.

**ACTION: Inform UNIAC UCEM will not be proceeding with their proposed audit. [JEF]**

996 The Committee **AGREED** that UCEM should continue to embed and evaluate the current internal work being undertaken on student outcomes.

997 The Committee **AGREED** to ask the UCEM Quality Audit Group to complete a benchmarking exercise on notional learning hours.

#### 998 **3.2/ APPRENTICE EMPLOYER COMPLAINTS**

999 The Chair welcomed Helen Edwards to the meeting for item 3.2.

1000 HE presented the second audit report from the Quality Audit Group (internal audit function) into UCEM policy and procedure for the handling of apprentice employer complaints and whether it operates effectively and meets regulator expectations (papers 3.2 and 3.2a). The audit work and report were undertaken by Ruth Grindey and Cathy Higgs.

1001 HE reported that the audit made three commendations and six observations on current practice, the key observation being that there were missed opportunities for the recording of apprenticeship employer complaints, mainly due to robust stakeholder management of concerns and issues which means many issues/informal complaints have gone unnoticed or unreported on. The auditors made eight recommendations in total, principally focussed on awareness-raising of the complaints policy to embed adherence to the procedures set out by UCEM teams. Without detracting from the value of resolving issues informally from a stakeholder management perspective, this would allow for reporting on the scale of any issues. The Committee suggested the introduction of an Operational Issues Log may support

this activity from both perspectives and ensure there is change/enhancement without impacting already positive employer relationships.

- 1002 The Committee **NOTED** the outcomes of the Quality Audit Group's audit of apprentice employer complaints.
- 1003 HE reported that the next audit the Group will work on is student disciplinary procedures. The outcome report will come to Audit Committee in due course. The Quality Audit Group meets at least twice a year and reports formally into Quality, Standards and Enhancement Committee. The group is responsible for monitoring the action plan and addressing the audit outputs. On conclusion of audits, the outcomes are shared across UCEM via the Senior Leadership Team and specifically to the team involved in the audit matter.
- 1004 The Committee welcomed the positive impact the group and its work are having across UCEM and noted that the Quality Audit Group tracks and monitors the actions arising from each audit through to completion.
- 1005 The Chair thanked Helen Edwards for her contribution and invited her to leave the meeting.

#### **4) OFFICE FOR STUDENTS COMPLIANCE**

##### **1006            4.1/ VALUE FOR MONEY STATEMENT 2020-21**

- 1007 JEF reminded the Committee that it had approved the overall format for the UCEM Value for Money (VfM) Statements in June of 2019 and that to date, statements for 2017-18, 2018-19 and 2019-20 had been published on the UCEM website. Following this same format, UCEM has now prepared its 2020-21 statement for publication, and this was presented in paper 4.1a for the approval of the Committee.
- 1008 The VFM Statement 2020-21, in terms of the overall percentage splits between the income and expenditure, is very similar to the 2019-20 statement, however it does show a 5% increase in the overall expenditure directly related to Student and Academic Services, which is due to the growth of apprenticeship provision. The figures presented reflect the statutory published accounts as audited by Mazars.
- 1009 Last year, the Committee had commented that it is difficult to contextualise UCEM's data as good, bad or average without comparators and requested that an overview of this be presented, acknowledging that UCEM is a slightly unique institution in terms of its fully online delivery. The benchmark data was presented in paper 4.1b for the review of the Committee.
- 1010 The Committee commented that given the relative importance of ESFA funding to UCEM now, whether it was worth identifying this within the overall tuition fees income (90%). It was also queried whether UCEM should identify where OfS funding is included in the income. The narrative refers to 2% spend on marketing but the graphic shows this on 3%. It was recommended that the orange section on staff costs be labelled as 'Other Staff Costs', otherwise it implies this is the entirety of the staff base. Finally, as Transform Project is now zero it does not show on the graphic and is just labelled 0% but it should be more clearly identified as 0% by use of parentheses. JEF will consider these comments in finalising the Statement ahead of publication.

**ACTION: Consider the comments made in finalising the document ahead of publication. [JEF]**

1011 The Committee discussed the importance and ongoing relevance of value for money statements and considered it a regulatory burden that carries little interest to students themselves. The OfS focus is now on outcomes and quality indicators.

1012 The Committee **APPROVED** the proposed 2020-21 Value for Money Statement for publication on the UCEM website pending the minor changes requested.

**1013 4.2/ CONDITION F4 – DATA RETURNS – PREPARATION FOR DATA FUTURES**

1014 The Chair welcomed Andy Youell to the meeting for item 4.2.

1015 AY presented paper 4.2 which provided an update to the Committee on UCEM's preparation for the Data Futures return and UCEM's new role on the DfE HE Data Reduction Taskforce.

1016 AY reported that Data Futures is a complete redesign of data to meet the regulator's requirements. It will go live on 1<sup>st</sup> August 2022, so UCEM is busy preparing for it. It requires significant work to systems and business processes to comply given its sophistication compared to historic data returns. Some other data collections and returns will cease once Data Futures is operational and becomes the single annual return. OfS have yet to publish the detailed aspects of data specification following consultation, but UCEM continues to prepare in order to meet the deadlines. UCEM is building its own data extraction tool. Once operational, ongoing maintenance and support will be managed by UCEM's internal IT team. Overall, AY provided the Committee with a high level of assurance on UCEM's preparations to meet the Data Futures requirements.

1017 AY also reported that he has a new role on the DfE Data Reduction Taskforce which is seeking to reduce the data reporting burden and duplication between OfS and ESFA. AY is attending six meetings over six months. Recommendations are due to be reported in autumn 2022. The group is looking at issues of governance, duplication and sharing of data. UCEM is seeking to help shift the dial and to influence the thinking on lifelong loan entitlement (by avoiding a third government data reporting obligation).

1018 The Committee **NOTED** the update provided on UCEM's preparations for Data Futures and on UCEM's new role on the DfE HE Data Reduction Taskforce.

1019 The Chair thanked AY for his contributions and invited him to leave the meeting.

**5) ANY OTHER BUSINESS**

**1020 5/ ANY OTHER BUSINESS**

1021 There were no other matters of business raised.

**6) CLOSE**

1022 The Chair thanked the Committee for the discussions and closed the meeting at 15.22pm.

## **7) MATTERS FOR NOTING AND REPORT ONLY**

1023 Three papers were presented to the Committee for note and report only.

### **1024 7.1/ AUDIT PLAN**

1025 The Committee was presented with an overview of audit planning (papers 7.1 and 7.1a). 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.

1026 The Committee **NOTED** the Audit plan as presented 7.1a and that work to refine and schedule audits for 2022-23 onwards will take place over the summer and be presented to the Committee for consideration in November 2022.

### **1027 7.2/ PREVENT ACCOUNTABILITY AND DATA RETURN 2020-21**

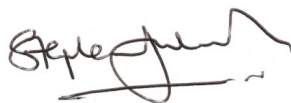
1028 The Committee **NOTED** that OfS has confirmed to UCEM that it has no queries on UCEM's Prevent Accountability and Data Return 2020-21.

### **1029 7.3/ COMPLIANCE WITH OFS CONDITIONS OF REGISTRATION C1-C4**

1030 The Committee **NOTED** and welcomed the report outlining conditions of registration C1-C4 and how UCEM continues to demonstrate ongoing compliance with them in all areas.

**Date of next meeting:  
9<sup>th</sup> November 2022**

**Signed**



**Name**

**Stephen Jackson**

**Position**

**Chair of Audit Committee**

**Date**

**9<sup>th</sup> November 2022**