



AUDIT COMMITTEE

8 JUNE 2023

REDACTED MINUTES FOR PUBLICATION

A meeting of the Audit Committee was held via Zoom video conference from 14.00-16.00pm on Thursday 8 June 2023.

Present:	Mr C Costigan (CC)	
	Dr S Jackson (SJ)	(Chair)
	Prof. M Jones (MJ)	
	Mr A Martin (AM)	
	Prof. K Miller (KM)	
	Mr A Wheaton (AW)	
In attendance:	Ms H Al-Katib (HAK)	(for items 21. & 2.2 only)
	Ms K Deakin (KD)	(for item 2.4 only)
	Mr G Edwards (GE)	(for item 4.1 only)
	Mrs H Edwards (HE)	(for item 3.4 only)
	Mrs J E Fawkes (JEF)	(UCEM Secretary)
	Mrs L Hughes (LH)	(Note taker)
	Mr T Mills (TM)	(for item 2.4, 3.1 and 3.5 only)
	Mr G Scott (GS)	(Trustee – observer)
	Mr A Youell (AY)	(for item 2.3 and 3.3 only)
Apologies for absence:	Mr A Fraser (AF)	
	Mrs H Kaur (HK)	

1) GENERAL MEETING GOVERNANCE

1186 1.1/ DECARATION OF ANY CONFLICTS OF INTEREST

1187 There were no conflicts of interest reported.

1188 1.2/ APOLOGIES FOR ABSENCE AND WELCOMES

1189 There were apologies for absence from Alex Fraser and Harps Kaur.

1190 The Chair welcomed Graeme Scott, new Honorary Treasurer, to observe the meeting.

1191 1.3/ MINUTES AND THE REDACTED MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 9 MARCH 2023

- 1192 The minutes of the Audit Committee meeting held on 9 March 2023 (as included at paper 1.3) were **APPROVED** as a true record and signed by the Chair.
- 1193 The redacted minutes of the Audit Committee meeting held on 9 March 2023 were reviewed and **APPROVED** as a true record and signed by the Chair. They were published on the UCEM webpage immediately after the meeting.
- 1194 1.4/ MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA**
- 1195 The summary showing the outcome of actions from the meetings held on 9 March 2023 (paper 1.4) was taken as read with the Committee noting the one action which remains in progress or deferred until at least the next meeting (assessment of future of UCEM Asia Limited and UCEM operations in Hong Kong). By way of brief update, there continues to be political headwinds in the region and limitations to open internet access which prohibit growth into the wider Chinese region. Student recruitment remains on track in the region however and the Principal is visiting the UCEM Asia Ltd office in late July.

2) RISK MANAGEMENT

- 1196 2.1/ UCEM RISK OVERVIEW**
- 1197 The Chair welcomed Hannah Al-Katib to the meeting.
- 1198 The Audit Committee considers risk at each of its meetings and accordingly reviewed the updated UCEM Risk Register at paper 2.1 and 2.1a which provided an overview since the last report to the Committee, though it was noted that overall little has changed. HAK reported predominantly on the implementation of various mitigations rather than drastic shifts in the risk profiles themselves. The Committee noted the links between the register and the various papers presented for review in the meeting, which shows that the right matters are being considered by the Committee within an appropriate framework of focus.
- 1199 HAK reported that there was a debate at the recent Senior Leadership Team meeting on whether to add a risk to the register on emerging themes related to Artificial Intelligence (AI). It was acknowledged there is both potential threat and opportunity in this but that it would not be added to the register as yet. UCEM will focus on wider opportunity tracking as part of annual planning work.
- 1200 The Committee noted that the only risk in red on the register is the unpredictability of what might happen with USS pensions, although it was noted that there is not really any further update and UCEM remains subject to the covenant on its membership. It was also noted that the USS Scheme had been subject to hacking recently and members details were stolen, which is a warning for the institution on the cyber security front once again. It was also noted that due to the higher interest environment now being experienced, pension valuations are increasing and consequently pension management challenges for organisations are reducing.
- 1201 The Committee **NOTED** the updated risk register and the further embedding of the new approach to risk management. The Committee **AGREED** with the identification of the risks presented and the mitigations in place where required.

1202 **2.2/ RISK SCENARIO PLANNING - STRATEGIC PLAN REVISIONS**

1203 HAK introduced paper 2.2, on risk scenario planning. As part of previous discussions on strategic risk, Audit Committee had suggested that UCEM considers the potential for certain scenarios that may have a significant impact on UCEM, such as changes to government policy around apprenticeships (which will be considered in item 2.4). HAK shared a progress update regarding scenario and risk planning and how this will be used to inform development of the 2025-2030 strategic plan.

1204 HAK reported that UCEM has commenced development of the new Strategic Plan for 2025-30 and this will be reported briefly to Board in July with a full strategic plan review session planned for the September meeting. Key to this integration of risk management and analysis of longer-term risks, threats and opportunities, in contrast to the active day to day management of risk that the Risk Register allows for. The intention is this process will allow for forward thinking and proactivity. There will be a series of workstreams to review different elements of the strategic plan's development which will each look at threats and opportunities for UCEM. These will be reported to Audit Committee.

1205 The Committee queried stakeholder engagement in this process both internally and externally and HAK assured the Committee this is all planned to take place. Employers will be one key area of this with regards to competitor analysis and UCEM's USP.

1206 Given the potential for AI to develop as a significant threat and opportunity, the Committee requested that an initial consideration of this issue come forward to a future Committee when more is known in this area. This could ideally develop into an early warning system approach associated with UCEM's risk management processes, ensuring the entire process remains dynamic.

1207 The Committee **NOTED** the progress being made in relation to the development of the strategic plan.

1208 The Chair thanked HAK for her contribution and invited her to leave the meeting.

1209 **2.3/ RISK DISCUSSION ITEM: CYBER SECURITY**

1210 The Chair welcomed Andy Youell to the meeting for item 2.3.

1211 AY introduced paper 2.3 on the risks and mitigations in place associated with the cybersecurity environment and the threats faced by UCEM. The Government recently published its Annual Cyber Security Breaches Survey which has provided useful comparative data and information on the types of attacks Higher Education Institutions (HEIs) are facing. The threat is a continually evolving one but one that UCEM tackles with standard tools and configurations. It is monitored and reported on within Quarterly Business Reviews. UCEM is also rolling out Multifactor Authentication (MFA) to staff; students will follow (though this can prove challenging where internet security parameters and encryptions differ from those in the UK). UCEM collaborates with the IT Directors Group for the sector and seeks to keep abreast of major developments for enhancements internally where necessary.

1212 The Committee queried the successful rollout of MFA at UCEM given natural human resistance to change. AY reported that it has been successfully achieved through

messaging around potentially catastrophic consequences of not adopting the technology and its mandatory use. The rollout is completing this month to staff and will then proceed to Associate Tutors and students, both of which will prove more challenging. Committee members also reported the mandatory roll out in their own organisations.

1213 The Committee queried UCEM's insurance for any cyber security attack/breach. It was noted later in the meeting that UCEM's liability is manageable as it has insurance in place covering the institution REDACTED.

1214 The Committee **NOTED** the issues raised around cyber security and the actions UCEM is taking to address and mitigate these risks. It was a timely and helpful discussion.

1215 The Chair thanked AY for his contribution and invited him to leave the meeting.

1216 2.4/ RISK DISCUSSION ITEM: APPRENTICESHIPS

1217 The Chair welcomed Kate Deakin and Tim Mills to the meeting for item 2.4.

1218 KD introduced paper 2.3 on UCEM's increasing reliance on the apprenticeship model for income (now represents 61% of all UCEM income and the major part of the UCEM business model). The paper looks at the risks associated with a reliance on this income and the mitigations for this, particularly with regards to a potential change in government to Labour and their associated policies.

1219 KD reported that it is likely there will be a change in government to Labour in the next year, a party which believes the Apprenticeship Levy systems is broken. They do not, however, want to abolish apprenticeships but adapt the higher education funding system to be better fit for purpose. There will, therefore, remain funding for apprenticeships, it is just likely to be administered differently and probably with more flexibility for employers. Any changes would take time to implement and any students on programme would be allowed to complete their studies under the rules/systems/procedures they signed up under.

1220 REDACTED

1221 As mitigations to the identified risks, UCEM is working to become more agile around its processes for development of new products. UCEM will conduct a training needs analysis with all its employers to inform new product development. UCEM also needs to be poised to take advantage of changes in the levy that allow more flexibility of use, so it is immediately delivering what employers want and capturing new business.

1222 The Committee noted that policy around skills and funding of skills is not exclusive to apprenticeships and as manifestos emerge the mechanisms by which all tertiary education will be funded to the benefit of institutions, employers and students will become clearer. It was also noted that there is a huge tension currently between some employers not having spent their own levy, but the levy funding overall is significantly overspent.

1223 REDACTED

- 1224 The Committee **NOTED** the risks in the UCEM apprenticeships business and the actions that are being taken to address them.
- 1225 The Chair thanked KD/TM for their contribution and invited them to leave the meeting.
- 1226 2.5/ RISK MITIGATION: COMPLIANCE UPDATE**
- 1227 The Committee reviewed paper 2.5, 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.
- 1228 There were no major changes to report and all compliance is legally up to date. Legacy issues relative to ESFA funding will remain until those first students have completed their studies. The Committee noted that whilst the Auditors review the UCEM Risk Register in detail when they audit UCEM, they have not, to date, reviewed this compliance register.
- 1229 The Committee **NOTED** there were no significant changes to report and that, overall, there are no issues of concern to raise to the Board's attention.

3) AUDITS

1230 3.1/ AUDIT STRATEGY MEMORANDUM

- 1231 The Chair welcomed Tim Mills to the meeting for item 3.1.
- 1232 REDACTED
- 1233 REDACTED
- 1234 REDACTED
- 1235 REDACTED
- 1236 The Committee **PRE-APPROVED** the Audit Strategy Memorandum for the 2023 UCEM audit by Mazars, it will be formally approved by the Board in July.
- 1237 The Chair thanked TM for his contribution and invited him to leave the meeting.

1238 3.2/ REVIEW OF ETHICAL RISKS

- 1239 Jane Fawkes presented the outcomes of the review into ethical risks, a piece of work requested by the Audit Committee in its Audit Plan schedule for 2022-23. The approach adopted saw UCEM undertake the review internally and without additional expense to the institution.
- 1240 Paper 3.2 provided the analysis of where there are risks and work to be done to mitigate these. Two some areas of work are required. Firstly, greater socialisation of the policies on whistleblowing and anti-bribery policy to increase staff visibility. Secondly, identification checks when appointing trustees needs to be put in place and standard procedures within HR will be followed in the future. Thirdly, there are

some areas within the Expenses Policy that would benefit from greater clarity. Finally, a procurement policy is being drafted and will be embedded fully in due course. JEF will take forward these actions and confirm they have been taken forward at the next meeting. Once complete, UCEM will be fully compliant with CUC Code Expectations.

- 1241 The Committee **NOTED** the outcomes of the review and approved the recommended actions to take forward as:
 Seek to increase visibility to staff of the Whistleblowing Policy and Procedure and the Anti-Bribery Policy.
 Introduce ID checks as part of the trustee recruitment process.
 Review the Expenses Policy.
 Embed the Procurement Policy once adopted.

ACTION: Ensure all recommendations from the review on Ethical Risks are completed and report accordingly to the next Committee meeting. [JEF]

1242 3.3/ AUDIT ON DATA PROTECTION AND GDPR

- 1243 The Chair welcomed Andy Youell back to the meeting for item 3.3.

- 1244 AY presented paper 3.3 on the plans for undertaking an audit on Data Protection and GDPR performance, five years on from the introduction of the GDPR. AY advised that UNIAC will undertake this work and outlined the areas included within the scope of the audit. These included the Data Protection Policies UCEM has in place and the Regulatory Compliance Risks. It was chosen to exclude areas relative to security measures, third party processing, training & awareness and data processing & retention because they were considered lower risk or covered through other work streams.

- 1245 The Committee **APPROVED** the terms of reference for the proposed audit on data protection and GDPR.

ACTION: Report the outcomes of the Data Protection and GDPR Audit to the next Audit Committee meeting in November 2023. [AY]

- 1246 The Chair thanked AY for his contribution and invited him to leave the meeting.

1247 3.4/ QUALITY AUDIT GROUP REPORT INTO STUDENT ACADEMIC MISCONDUCT

- 1248 The Chair welcomed Helen Edwards to the meeting for item 3.4.

- 1249 Helen Edwards presented the fourth audit report from the Quality Audit Group (internal audit function) into UCEM processes and policies for the handling of student academic misconduct (papers 3.4 and 3.4a). The audit work and report were undertaken in September 2022 by Kate Deakin, Caltha Stevenson-Hanns and Hazel Lobo.

- 1250 HE reported that the aim was to ensure the policies and procedures were fit for purpose and appropriate. The Audit found that UCEM processes do meet regulatory requirements and that the procedures are effectively implemented but that the

systems does not appear to be fit for purpose in that it is not delivering consistent results although it is broadly considered to be fair. It was determined that the system could be more student centric and that the existing process is unnecessarily complex. They also identified a doublehanding burden in review of some cases.

- 1251 Overall, the audit resulted in five areas of good practice being identified but nine recommendations for enhancements. Some of the recommendations are significant and will require detailed planning to implement improvements. It was considered a very worthwhile audit to have undertaken and the Quality Audit Group will oversee implementation of the recommendations to conclusion. It was suggested that final notification of recommendations being completed and implemented effectively should be reported to the Academic Review Committee for oversight.

ACTION: Report the Academic Misconduct audit and implementation of actions to the Academic Review Committee. [HE]

- 1252 The Committee noted that consistency was at the heart of the recommendations and queried whether this was at panel level. HE reported that the small number of Chairs UCEM uses have access to a penalty matrix and all decisions are recorded by the secretary. UCEM does not have a student representative on the panel, but a member of the Academic Quality Unit does sit on the panel to support consistency and operation of the process and policy. Consistency issues exist more at academic level and escalation of cases that might not need to be escalated.

- 1253 The Committee also queried the scale of evidence reviewed to be able to make the recommendations in the report. HE confirmed that the audit team had access to all academic misconduct records and all staff who have been involved in the procedure.

- 1254 Finally, HE reported that UCEM does have a ChatGPT working group that is drafting some additional guidance for use across UCEM, focussed on acceptable use. This will go forward to Learning, Teaching and Enhancement Committee for consideration in the summer. The Senior Leadership Team is also discussing the risks and opportunities associated with artificial intelligence this week.

- 1255 The Committee **NOTED** the outcomes of the Quality Audit Group's audit of UCEM's Student Academic Misconduct Procedures and welcomed the reassurance it provides to the institution.

- 1256 The group **NOTED** that the next audit the Group will work on is Interruption of Studies process. The audit is planned for Q3 in 2023 and 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.

1257 **3.5/ NEW AUDITORS FOR UCEM ASIA LTD**

- 1258 The Chair welcomed Tim Mills back to the meeting for item 3.5.

- 1259 **REDACTED**

- 1260 **REDACTED**

1261 The Chair thanked TM for his contribution and invited him to leave the meeting.

4) OFFICE FOR STUDENTS COMPLIANCE

1262 4.1/ UCEM REPORTABLE EVENTS POLICY

1263 The Chair welcomed Gethin Edwards to the meeting for item 4.1.

1264 GE presented paper 4.1 which provided proposed amendments to the UCEM Reportable Events policy. The policy was last updated in 2020 and proposed amendments were suggested in November 2022, and again in March 2023. Having been discussed by the Committee it had been agreed that yet further discussions to reach an agreement were required before seeking Committee approval once again. The revisions were summarised as identifying who has responsibility for determining whether a matter should be submitted to OfS as a reportable event and for authorising the submission, and the removal of categories in Appendix A following amendments to sections 2 and 5.

1265 There had been some concerns about Board involvement in approving reportable events and the delegations of authority on reportable events. The policy now states that in all cases responsibility for determining whether matters should be submitted to the OfS now resides with the Board but that where an event occurs outside the Board cycle, the Principal and senior colleagues, under delegated authority, are responsible for agreeing if an event is reportable and should be referred to the Board for its approval under.

1266 The Committee **APPROVED** UCEM's Reportable Events Procedure v2.01 for finalisation as the new V3.0.

ACTION: Finalise and publish the updated Reportable Events Procedure V3.0. [LH]

1267 The Chair thanked GE for his contribution and invited him to leave the meeting.

1268 4.2/ CONDITION OF REGISTRATION E2: UCEM VALUE FOR MONEY STATEMENT 2021-22

1269 JEF presented the latest Value for Money statement 2021-22 for the Committee's review and approval ahead of publication. JEF informed the Committee that the overall percentage splits between income and expenditure are very similar this year to the last statement in 2020-21 but do reflect a 4% increase in overall expenditure directly related to Student and Academic Services which is due to growth in apprenticeship provision. It is also the first time that apprenticeship income has been greater than non-apprenticeship income. A comparison of data over the years was also reviewed and it was noted that production of the report is a regulatory compliance matter.

1270 There were two small typographical errors pointed out – the report should exclude 'donations' in income as the value was nil; and the title on the table 'Other staff costs' should actually just be 'Other Costs'.

- 1271 The Committee **APPROVED** the UCEM Value for Money Statement 2021-22 for publication on the UCEM website and as demonstration of compliance with OfS condition of registration E2, pending the two minor amendments requested.

ACTION: Make the minor amendments and ensure the VfM statement is published on the UCEM website. [LH]

5) ANY OTHER BUSINESS

1272 5/ ANY OTHER BUSINESS


- 1273 JEF thanked SJ for his role as Chair of Audit Committee since its inception in December 2017. The Committee has become integral to UCEM governance and SJ's leadership has helped to embed its role within UCEM and make it so successful. SJ will move on to Academic Review Committee chairmanship for the remainder of his term as a UCEM Trustee.
- 1274 The Chair asked GS for his reflections on the meeting having observed the Committee and as a new Trustee. GS commented positively on the quality of papers, discussions and engagement.
- 1275 The Committee noted the papers provided for report at item 7:
The ongoing UCEM compliance with Conditions of Registration C1, C2, C3 and C4 with the Office for Students.
The Institutional Audit Plan 2023-25.
- 1276 There were no other matters of business raised.

6) CLOSE

- 1277 The Chair thanked the Committee for the discussions and closed the meeting at 15.40pm.

**Date of next meeting:
9 November 2023**

Signed



Name

Stephen Jackson

Position

Chair of Audit Committee

Date

9 November 2023