**CANTERBURY CHRIST CHURCH UNIVERSITY**

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON**

**WEDNESDAY 13 MAY 2020 AT 4.00PM**

**VIA TEAMS TELECONFERENCE**

**Present:** Mr P Fletcher (Chair), Ms S Appleby, Mr J Hills, Mrs P Jones, Mr Q Roper and Mr S Sutton

**In attendance:** Mr D Leah (Director of Finance & Chief Financial Officer)

Mrs K Pilgrim (Assistant Director of Finance – Financial Accounting)

Mr S Johnston (Director of Information Technology) [Item 5 only]

Ms A Sear (University Solicitor and Clerk to the Governing Body)

Professor R Thirunamachandran (Vice-Chancellor)

Ms E Currie (Governance and Legal Services Assistant)

Mr R Hewes, KPMG

Ms B O’Boyle, KPMG

Ms A Sangeeleemootoo, Deloitte

Mr B Sheriff, Deloitte

**162. Apologies for absence [Item 1]**

There were no apologies for absence. It was noted that Mr J Hills would be required to leave the meeting briefly at 4.30pm.

**163. Declarations of Interest [Item 2]**

There were no declarations of interest.

**164. Minutes of the meeting held on 25 February 2020 [Item 3]**

The Chair asked that at minute 102 ‘proscribed’ be corrected to ‘prescribed’. Subject to that amendment, the minutes of the meeting held on 25 February 2020 were approved as an accurate record of the meeting.

**165.** **Matters arising not appearing elsewhere on the agenda [Item 4]**

The Chair said that there would be an additional item after the Strategic Discussion Item: Vice-Chancellor’s update on the University’s response to the Covid-19 pandemic.

**166. Strategic Discussion Item: Cyber Security Briefing [Item 5]**

The Audit Committee welcomed the Director of Information Technology who attended the meeting to present a briefing on Cyber Security.

The Director of IT said that the Committee had received the KPMG internal audit report on Data Security at its meeting in February 2020, including management responses. He noted that the report had targeted a subset of the KPMG Cyber Maturity Framework and that the IT department welcomed the report and broadly agreed with the findings. The auditors had rated the University’s Cyber Security ‘amber-red’; partial assurance with improvements required. There had been 11 medium priority recommendations. The Director of IT said the report provided useful focus and structure going forward.

The Director of IT referred to the University’s Risk Appetite Statement and noted that the University had a medium risk appetite for Physical Systems and Infrastructure, which impacted the level of investment into cyber security processes. There had, however, been an increased focus on the area over the past several years.

A dedicated Cyber Security Specialist role was created in January 2019 and is supporting the University as it works to gain ‘Cyber Essentials Plus’ certification in 2021. The Cyber Security Specialist also chairs and leads the Security Operations Group monthly meetings.

The Director of IT said that the Cyber Security risk had significantly increased due to the move to working remotely from home by all staff. Consequently, the University had installed Rubik Ransomware Detection software in April 2020 to enhance protection from Cyber Security threats.

The Chair noted that it was positive that the University management had included Cyber Security e-learning within its portfolio of mandatory training for all new staff.

In response to a question the Director of IT said that the timeline to respond to audit recommendations had not been affected by the Covid-19 pandemic as all IT staff were well equipped to work from home. Given that the Cyber Security risks had become more acute with the move to work from home, the Internal Auditor welcomed this information.

In response to a question from a Governor about communications between the University and the Governing Body the Director of IT agreed to work with the Clerk to the Governing Body to consider the most suitable arrangements for sharing papers and other confidential information with members of the Governing Body.

The Audit Committee noted that KPMG would undertake a further audit of the University’s Cyber Security in 2020/21 and members expected that this would reflect the actions completed.

The Chair thanked the Director of IT and said that the Committee supported and encouraged the work being undertaken.

**167. Vice-Chancellor’s update on the University’s response to the Covid-19 pandemic [Additional agenda item]**

The Vice-Chancellor said that the University had moved to off campus learning and working from home on 23 March 2020. Students had left the physical campus with the exception of 138 students who had chosen to remain in University student accommodation.

He said that one of the current primary areas of focus for the University was the provision of online Teaching and Learning, and arrangements for end of year assessments. He paid tribute to the staff who had undertaken significant amount of work to put in place appropriate arrangements in a short amount of time.

The Vice-Chancellor said that the £295k deficit budget agreed by the Governing Body was now forecast to be closer to a £4 million deficit. He said that the University’s current estimate of financial losses were significant. These would be incurred in the final semester of 2019/20 due to unoccupied student accommodation (£2 million), loss of conferencing and catering income (£1 million), and loss of summer school short courses (£500k). He said that efforts would be made across the University to implement savings initiatives and acknowledged the savings in utilities and travel expenses.

The Vice-Chancellor said he would continue to lobby the Government for support to the sector via his MillionPlus and UUK networks. A proposal of suggested measures had been submitted to the Department for Education on 9 April. The Vice-Chancellor said that the measures proposed by the Government in response had been disappointing. He said the sector faced four main challenges:

* recruitment of undergraduate home students;
* recruitment of International and EU students;
* funding for research contracts; and
* loss of commercial activity, such as knowledge exchange and conferencing.

The Vice-Chancellor said the University’s executive wanted to provide a credible budget proposal to the June Finance and Resources Committee meeting, but this was challenging while uncertainties around student numbers persisted.

The Project 2020/21 Group, chaired by the Deputy Vice-Chancellor, had been created to lead on the work required for a return to campus by students and staff. Health and Safety of all stakeholders was the key consideration. A further update would be provided to the Governing Body in due course. The Vice-Chancellor said that in his view, it was preferable that Foundation and First Year students commenced their University experience on campus as far as feasible because independent learning would be most challenging for these groups. Second and Third Year students might be better equipped to start the academic year with slightly more off campus learning arrangements.

The 2020/21 forecast pre-Covid-19 had been a £3.4 million deficit. The forecasts post-Covid were dependent on the impact of the pandemic on student numbers. A 5% drop in tuition fee income would likely result in an additional £5 million deficit, and a 10% drop in tuition fee income would likely result in an additional £10 million deficit. The University would need to consider how social distancing requirements would impact student accommodation occupation rates. Without mitigating actions, the University could expect a deficit of up to £15 million in 2020/21. Finance staff were considering various proposals to address the forecast deficit, including looking at staff costs, non-staff costs and the capital programme.

The Vice-Chancellor advised that a supplementary Finance and Resources Committee meeting, and Governing Body meeting, might be required in the summer to approve the 2020/21 budget as and when clarity was received over certain unknowns. In response to a question he said that the co-opted members of the Audit Committee would be kept informed of developments via the Chair of the Audit Committee and the Vice-Chancellor as appropriate. The Committee noted that the co-opted Audit Committee members had been invited to the additional Governing Body update meetings to discuss the University’s response to the pandemic.

**NOTED**.

**168. University High Level Risk Register May 2020 and Annual Report of the Vice-Chancellor [M104 Item 6]**

The Committee received the University High Level Risk Register May 2020 and Annual Report of the Vice-Chancellor, paper M104, sponsored by the Clerk to the Governing Body.

The Chair noted that the High Level Risk Register had undergone extensive re-drafting due to the impact of the Covid-19 pandemic on the University’s risk profile.

The Clerk said that certain recommendations from KPMG, following the internal audit of the Strategic Risk Management, had been implemented already, notably to the Risk Summary document. Further changes to the risk reporting process would be implemented in due course.

The Clerk said that the University had considered various approaches to recording the impact of Covid-19 on the University’s strategic risks and had decided it should be reflected within each of the existing risks on the Register, as appropriate. Substantial changes had been made to the Register. Two new sub risks had been inserted into the register to reflect areas of risk that were particularly heightened by the pandemic. These were, Risk 3.4: “Failure to manage financial resources appropriately, efficiently and in line with financial targets during pandemic”; and Risk 8.2: “Insufficient capacity and capability to deliver changes necessary to achieve ‘Business as Usual’ given the challenges presented by the "new normal" caused by the pandemic, including a temporary shift in the business model and reliance on technology to support staff”.

The Clerk said that seven of the ten high level risks now had a ‘black rated’ gross rating of 25; the highest score possible indicating extreme risk. As a consequence of the controls and key actions however, all high level risks had been moderated to a residual ‘red rated’ rating indicating severe risk. The highest risks currently facing the University were:

* Risk Number 3 (failure to remain competitive and sustainable); and
* Risk Number 5 (failure to meet student recruitment targets).

The Internal Auditor said that across the sector, organisations had taken either the same approach as the University, which was to treat Covid-19 as an event impacting all existing risks, or to include Covid-19 has a distinct single risk. He said that in his view, the approach adopted by the University enabled a more nuanced overview of the impact.

A Committee member said they felt confident that the University had a strong understanding of the significance of the impact of the pandemic, and had communicated this effectively through the Register.

In response to a question from a co-opted Committee member, the Vice-Chancellor said that the Project 2020/21 Group was undertaking scenario planning, and was working to ensure the University was strongly positioned in case of a resurgence.

The Committee noted the risk management activities undertaken in 2019/20 which was reported in the Vice-Chancellor’s Annual Report.

**RESOLVED:**

That the High Level Risk Register be approved; and

That the Annual Report of the Vice-Chancellor be noted.

**169. Policy for the Reporting of Serious Malpractice Concerns (Whistleblowing) [Paper 105 Item 7]**

The Committee received the revised Whistleblowing Policy (paper M105), sponsored by the Clerk to the Governing Body.

The Chair thanked the Clerk for undertaking a further review of this policy, as requested at the February meeting. The Chair said the second draft accurately reflected the revisions suggested by the Committee.

The Clerk to the Governing Body said that the Policy had been thoroughly revised to simplify the language and to highlight potential avenues for support to those considering ‘blowing the whistle’. The revised policy had been reviewed and recommended by the Students’ Union, the Joint Negotiation and Consultation Committee and SMT.

**RESOLVED:**

That the Whistleblowing Policy for the reporting of serious malpractice concerns be approved.

**170.** **External Audit Plan Update report to the Audit Committee for the year ending 31 July 2020 [M106 Item 8]**

The Audit Committee considered the External Audit Plan update for the year ending 31 July 2020. A representative from the External Auditor, Deloitte, presented the report.

The External Auditor said that the report had been drafted during a period of exceptional uncertainty. It was possible that the External Auditor might make changes to its approach in July, specifically in respect of the bank covenants, once there was greater clarity over the external environment and the University’s financial situation.

The Audit Committee noted that the key focus areas of the External Auditor were broadly similar to 2018/19:

* Accounting for major capital projects;
* Management override of controls;
* Going Concern and Covenant Compliance;
* Accounting for the defined benefit pension liabilities and actuarial assumptions in respect of the LGPS pension scheme; and
* Accounting for the joint operation of the Kent and Medway Medical School.

The Chief Financial Officer confirmed that the areas of focus were as expected by the University. He said that the current priority for the institution was the maintenance of liquidity and the assurance of ongoing financial sustainability.

The Vice-Chancellor asked the External Auditor if there had been discussions within the Audit sector on how to approach the impact of Covid-19, which he said would presumably have an impact on organisations of all sizes. The External Auditor said that the regulator, the Financial Reporting Council, had issued new guidance and that all audit firms were operating a practice of an additional ‘second-partner review’, to ensure rigorous independent challenge to decisions.

The Chair said that is was important to consider that Brexit and climate change considerations were still active concerns, although they were currently overshadowed by the impact of, and response to Covid-19.

The Committee also noted the External Auditor’s proposed approach to the audit of the University’s subsidiary company, Medco Ltd (Unitemps).

**NOTED.**

**171. Internal Audit Progress Report** **[M107 Item 9]**

The Committee received three reports from the Internal Auditor: Strategic Risk Management; Staff Recruitment; and Student Accommodation (Part Two). A representative from the Internal Auditor said that workshop elements of the Strategic Risk Management audit and the Staff Recruitment audit had been postponed due to the Covid-19 pandemic. The proposed review of Business Continuity had also been postponed to 2020/21 as the staff implicated in the review were under considerable pressure responding to the pandemic.

The Internal Auditor said that a draft outline of the Internal Audit plan for 2020/21 would be considered by SMT in July. The report would subsequently be presented to the Audit Committee at its September meeting for approval. The Internal Auditor expected the Head of Internal Audit Opinion for 2019/20 to be positive, due to the number of reports which had received amber-green ratings.

* ‘Strategic Risk Management’ had received an Amber-Green rating: significant assurance with minor improvement opportunities. The Internal Auditor said the risk management processes were structurally sound but would be improved by increased timely engagement from Risk Owners. The Clerk welcomed the recommendations made in the report. A Committee member asked the Internal Auditor how best to identify the risks which required a ‘deep dive’ review, as recommended in the report. The Internal Auditor said that any risk that had a large gap between the residual risk rating, and the agreed risk appetite ought to be considered. Committee members said they would feed back to the Clerk if there were areas they considered should take priority.
* ‘Staff Recruitment’ had received an Amber-Green rating: significant assurance with minor improvement opportunities. The Internal Auditor said it had been requested to consider this area as the process for recruitment had recently been decentralised. The Internal Auditor had concluded that the new process was working effectively, and the supporting policy was strong. The Internal Auditor said that Human Resources staff must ensure that processes were adhered to and be empowered to follow up when processes were not followed. The report had been considered by SMT who had given their full support to Human Resources staff in this activity.
* ‘Student Accommodation (Part Two)’ had received a Green rating: significant assurance. The Internal Auditor said that due to restrictions imposed by the Covid-19 pandemic the planned site visit had not taken place. The Internal Auditor said that the three low priority recommendations were for noting as points of best practice.

The Chair said that it was positive that management had accepted all the reccomendations, and that the rating for Student Accommodation was better than expected.

**NOTED.**

**172. Internal Audit Recommendations – Management Control Report [M108 Item 10]**

The Audit Committee considered the Internal Audit Recommendations – Management Control Report [Paper M108]. The Assistant Director of Finance [Financial Accounting] reported that 18 actions had been closed as complete. Significant progress had been made towards two actions from the Student Accommodation review (Part One), and the third action had been completed. This had enabled the Student Accommodation Code to be signed off.

Following receipt of the Data Security report at the February Audit Committee meeting, the Assistant Director of Finance had met with the Director of IT and the lead Internal Auditor who had undertaken the Data Security audit to consider the recommendations and confirm which would be taken forward.

The Assistant Director of Finance acknowledged that the deadline for some actions may be extended due to the challenge of working from home. The Chair said it was important that progress continued even if the pace slowed. The Committee was content with the progress that had been made.

**NOTED**

**173. Bad Debt Provision [M109 Item 11]**

The Audit Committee received the Bad Debt Provision paper [M109] sponsored by the Chief Financial Officer. The Chief Financial Officer said the report was a comprehensive analysis of the University’s historical Bad Debt. The analysis was undertaken in response to a recommendation by the External Auditor within the ISA260 report and as agreed by the Audit Committee.

The Chief Financial Officer said that the report did not suggest a material change was necessary in the way the University calculated its Bad Debt provision, although the University calculated a lower provision than the External Auditor.

The Chief Financial Officer said that it was important to understand the impact of the Covid-19 pandemic when reviewing the calculations for 2019/20. The loss of income from the University’s student accommodation had had a direct impact on the forecast bad debt. The University had taken the decision to advise students to return home if possible once the Government announced lockdown. Any liability for use of accommodation would be reduced from that point. As this is a reduction of income, this would be removed from the value of debtors and would not therefore attract any provision for potential bad debt. The Chief Financial Officer also said that debt repayments from the University’s Greek partner, Omiros, had been significantly impacted by the pandemic. He assured the Committee that communications at the highest level were ongoing to resolve the problem.

The External Auditor welcomed the paper, which gave context to the University’s risks and judgements.

In terms of debt collection methods, the Chief Financial Officer confirmed that the University had contracted with a second debt collection agency. He said that the University’s effort to collect debt commenced with its own two stage internal process before the matter was referred to a third-party debt collection agency. Finance colleagues who had extra capacity due to the impact of the pandemic had been redeployed to credit control teams to support the collection of outstanding debt.

The Chief Financial Officer said that the University’s policy remained that the University would not impose academic sanctions on students for non-academic debt such as accommodation debt. However, the University would consider the process in place for students with accommodation debt who had also not engaged with their studies. Finance colleagues would consult with Registry and Accommodation staff to develop the correct approach to this situation.

A Committee member asked if the University had a moral responsibility to support students in making sensible financial decisions, and effectively managing their finances. The Vice-Chancellor confirmed that the Employability Team offered programmes to support these skills and that one of the University’s banks, Natwest, had offered sessions to students about budget management. He noted that students with financial problems often had complex and varied support needs. The Vice-Chancellor said that the student hardship fund had been enhanced in response to the pandemic and students who remained in University accommodation were being supported with care packages.

**NOTED**

**174. Any other business [Item 14]**

A Committee member asked how the Committee would be kept informed of developments, especially to the University’s strategic risks. The Chair said that he would keep the need for another meeting under review. The Vice-Chancellor said that any Committee member was welcome to contact him directly if they wished to.

The Chair invited the Committee members to let him or the Clerk know if they had suggestions for improvements on how to manage teleconference meetings.

**175. Confidentiality [Item 15]**

The Audit Committee agreed that there were no matters considered in the meeting to be kept confidential from published minutes once approved.

**176. Date of next meeting [Item 16]**

Tuesday, 15 September 2020 at 4pm

The meeting closed at 5.45pm.