



## CANTERBURY CHRIST CHURCH UNIVERSITY

### UNRESERVED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD AT 4.00PM ON WEDNESDAY 8 MAY 2019 IN THE FREDERIC MASON ROOM AT THE PRIORY

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

**In attendance:** Mr D Leah (Director of Finance and Chief Financial Officer)  
Mrs K Pilgrim (Assistant Director of Finance [Financial Accounting])  
Ms A Sear (Clerk to the Governing Body)  
Professor R Thirunamachandran (Vice-Chancellor)  
Ms E Currie (Governance and Legal Services Assistant)  
Mr P Thomas (Deloitte, External Auditor)  
Ms B O'Boyle (KPMG, Internal Auditor)  
Mr R Hewes (KPMG, Internal Auditor)

#### 152. Apologies

There were no apologies.

#### 153. Declarations of Interest

Governor Sue Appleby declared an interest as a trustee of the Caldecott Foundation, which had recently agreed to purchase some training modules that were delivered by the University. SA confirmed she had no influence over the procurement of these training modules.

Co-opted Governor Steve Sutton declared that one of his professional partners works with the Students' Union.

Neither of the declarations of interest referred to any matter to be discussed.

#### NOTED

#### 154. Minutes of the Meeting held on 26 February 2019

The minutes of the meeting held on 26 February 2019 were agreed and signed as a true record.

#### 155. Matters arising not appearing elsewhere on the Agenda

- i. The Assistant Director of Finance [Financial Accounting] provided an update on the issue of cybercrime insurance. It was anticipated that management would proceed with specific 'cyber-attack' insurance, subject to affordability of the premium, following a review of the University's Insurance policies.

**NOTED**

- ii. In response to a question from a Governor regarding the target KPI for total students in 2019/20, it was confirmed that the targets were being considered as part of the revised business planning assumptions. Growth in student numbers was expected in curriculum areas enabled by the construction of Building 2 which was progressing well in order to achieve the target completion date of summer 2020. Following the decision of the Chairs' Committee to fit out the third floor, fundraising activities were ongoing.

**156. External Audit Plan Update 2018/19 [Paper L98]**

The Audit Committee received Paper L98, the External Audit Plan Update 2018/19, presented by the representative of the External Auditor, Deloitte.

The External Auditor noted that the Group materiality had been set at £2.1M, which was slightly less than 2017/18 (£2.2M), which was calculated using 1.7% of forecast income as a benchmark. The reporting of misstatement threshold was set at £100k.

- The Significant Risks were not notably different from 2017/18, with the exception of new Risk 3, 'Accounting for the Joint Operations of the Kent and Medway Medical School (KMMS)'.
- The risk of fraud in revenue recognition had been rebutted for both the University and MedCo.
- "Accounting for Major Capital Projects": given the University's ongoing increased capital spend the risks revolved around the treatment of capital and revenue.
- "Management Override of Controls": the judgement of management would be considered.
- "Accounting for the Joint Operation of the Kent and Medway Medical School": the risks related to the structure of the contractual arrangement between the University and the University of Kent, the capitalisation of expenditure on the project, and the practicalities of the accounting treatment of these costs. There was the potential for errors in the early stages of the operation to translate into significant errors in the following years.

There was a discussion about the factors relating to the management decision to enter into a contractual arrangement instead of setting up KMMS as a separate legal entity. The Vice-Chancellor confirmed that contractual relationships similar to the Memorandum of Agreement signed by the University and the University of Kent were common in the higher education sector. The Brighton and Sussex Medical School had been established in the same way. Establishing a separate legal entity would have created a different set of complexities.

Another area of focus was "Going Concern and Covenant Compliance". Members agreed it was prudent for the External Auditor to review this area given the University's increased borrowings and the unstable political environment. The External Auditor said that a greater number of qualifications in relation to the accounts of HEIs may be expected in the next financial year. The Chief Financial Officer said that the University's covenant compliance was assessed by the Bank based on the published annual reports. Any potential issues would be reported at Audit Committee meetings.

The External Auditor said that the impact of the increase in employer contributions to the Teachers' Pension Scheme from September 2019 would also be considered as part of the going concern review. Members noted that protocol for budgeting for pensions was considered well established and consistent with the sector.

The External Auditor noted that the Office for Students (OfS)

- required the spend on widening access and participation to be audited by the External Auditor;
- confirmed that there would be no new accounts direction; and
- had not clarified if senior staff costs would need to be disclosed.

The External Auditor confirmed its independence from the University, and, in reporting the proposed audit fee, said that fee adjustments were in line with inflation. It was confirmed that the work relating to KMMS might incur additional fees (between £2k and £10k), but any cost was likely to be closer to the lower figure.

#### **RESOLVED**

That the External Audit Plan Update for 2018/19 be approved

#### **157. University Risk Register May 2019 and Annual Report of the Vice-Chancellor [Paper L99]**

The Audit Committee received Paper L99, the University Risk Register May 2019 and Annual Report of the Vice-Chancellor, presented by the Clerk to the Governing Body.

The Clerk outlined the changes that had been made to the Risk Register during the academic year. Risk 1, relating to teacher education programmes, had been reworded and a new sub risk had been created under Risk 4: 'Failure to provide adult nursing placements and subsequent breach of the "student contract" (and CMA requirements) to complete the programme within the established timeframe.' The Pro Vice-Chancellor (Medical Education Development) & Dean of Health and Wellbeing had reported that the risk affected community placements in particular and the stakeholders including the NHS would be meeting in May to try to resolve the situation.

There had been no significant changes to the Risk Management Framework, but there had been some minor updates to the Risk Appetite Statement. The External Auditor suggested that management consider an enhancement to the method of reporting high level risks by reference to the risk appetite for each risk.

A review of aggregated risks had been reported to the Audit Committee in September 2018. A further review would take place before September 2019, and the

correlation between the High Level Risk Register and the risks identified in the Business Planning process for 2019/20 would be reported to Audit Committee.

Risk Management Workshops scheduled for 19 June 2019, and delivered by KPMG would increase visibility and understanding of the Risk Management Framework amongst staff who regularly engaged with risk analysis and reporting.

An Internal Audit report on the University's Risk Management arrangements was expected to be reported to the Audit Committee in 2019/20.

The Clerk provided a termly update of the High Level Risk Register. The ratings remained unchanged and the only notable change had been the addition of the new sub risk to Risk 4. There were updates to the key actions relating to Risks 2, 3, 4, 5, 8, 9 and 10.

The Clerk said the Change Portfolio Assurance Board had met on 27 March and identified a tendency towards Amber ratings of project risks and the overall risk rating of all the major change projects was amber. Continuous Improvement and Major Change Initiative staff would review the project risk registers with project risk owners. In response to a question from the Chair, it was noted that only red or black risks were flagged to the Audit Committee.

In response to a question from a Governor, it was agreed that the Director of Estates and Facilities would clarify the 'adverse weather conditions' in relation to Risk 10.

#### **RESOLVED**

That the High Level Risk Register (May 2019) be approved

#### **158. Internal Audit Progress Report 2018/19 [Paper L100]**

The Audit Committee received Paper L100, the Internal Audit Progress Report, presented by a representative of the Internal Auditor, KPMG.

The Internal Auditor said that seven of the nine audits in the 2018/19 plan had been completed. The remaining two audits, GDPR and Data Quality: HESA staff record, would be completed before the end of the academic year. In addition, KPMG would be running Risk Management Workshops on campus for key staff and hosting an external Higher Education Technical Updates seminar. The seminar was going to be attended by a member of the finance team.

The Internal Auditors presented four reports.

- Student Satisfaction: Student Voice

The partial assurance (Amber/Red) was in line with management expectations. Four Professional Services Departments were audited as part of this report:

The IT Department and Library and Resources had good systems in place to monitor student feedback and interaction allowing them to draw out emerging patterns and work pro-actively.

Estates and Facilities (Accommodation office) and the Student Records and Assessments team took a more reactive approach to student interaction and improvements were recommended. A new Student Accommodation Manager, with a student experience background, had been appointed and the student experience would be a key focus of her activity.

The Vice-Chancellor said that SMT would consider the audit recommendations in detail and the University's Professional Services Quality Committee would also progress this agenda. He also confirmed that the University was committed to its moral and professional responsibility to deliver good quality student experience.

- Payroll and Accounts Payable

The significant assurances (green) in respect of these two audits were a particular achievement in light of the recent implementation of the 'No Purchase Order No Pay' process and the changes to the HR and payroll system.

- Data Assurance: Data Quality Enhancement Plan

The partial assurance (Amber/Red) was in line with management expectations. This audit was requested by the University as part of its follow up after the previous regulator had flagged concerns about the University's student data quality and HESA returns. A number of actions from the Data Audit Action Plan were overdue. The Internal Auditor was content that the University's reporting of its action progress was accurate, and the view of the Auditors was that the cause of the delay was capacity, not capability. Appointments had been made to the Planning and Academic Administration team to resolve the situation.

The Chief Financial Officer said that OfS was due to conduct a review during the summer and efforts were underway to complete the required actions for this deadline. The Internal Auditor's report would be presented to the OfS. Members noted that the completion of the MOSI project was considered key to achieving full assurance in this area.

## NOTED

### 159. Internal Audit Recommendations – Management Control Report [Paper L101]

The Audit Committee received Paper L101, the Internal Audit Recommendations – Management Control report, presented by the Assistant Director of Finance [Financial Accounting].

35 recommended actions from 10 audit reports had been reviewed. Of these 35 actions, 21 had been completed, and 2 of these had been superseded by other actions and therefore closed down. There were 14 open actions, of which 8 were overdue.

Members noted the strengthened approach to the monitoring of the open actions, as proposed at the previous Audit Committee meeting. The Assistant Director of Finance ensured she had better visibility of progress and fewer actions had fallen behind schedule.

The Chief Financial Officer noted that the completion date for the Value for Money action had been deferred to December 2019. This was not a result of slippage but due to the University considering a revised approach to Value for Money reporting (Integrated Reporting).

## **NOTED**

### **160. Processes for the Management of Debtors and the Calculation of Year End Bad Debt Provisions [Paper L102]**

The Audit Committee received Paper L102, the Processes for the Management of Bad Debtors and the Calculation of the Year End Bad Debt Provisions, presented by the Chief Financial Officer.

The Chief Financial Officer explained that this paper had been commissioned to give the Audit Committee a better oversight of the composition and oversight of the University's bad debt, following discussion on the subject with both the External Auditor and the Audit Committee in 2017/18.

The report presented detail on the age of the debt, type of debt, whether a payment plan was in place and the level of write offs in previous years. This information was reviewed internally by the Accounts Receivable team on a weekly basis.

The University's debt was split between five ledgers: Accommodation Fees; Tuition Fees- Self Funded; Tuition Fees – SLC; Tuition Fees – Sponsored Students; and Miscellaneous income. The level of debt in respect of SLC funded Tuition Fees, sponsor funded Tuition Fees and Miscellaneous Fees was not a cause for concern. There had been an increase in debt in respect of self-funded Tuition Fees (which included international students)

Accommodation fee debt was the most challenging area, since the Competition and Marketing Authority (CMA) guidance in 2015 preventing higher education institutions imposing academic sanctions for non-academic debt. In response to a question from a Governor, the Chief Financial Officer said that the University had improved its credit control problems, but had taken a holistic approach to collecting debt. For example, the mental health and wellbeing implications of students with debt during the course of a students' studies should not be underestimated.

In response to a question from a Governor, the Chief Financial Officer confirmed that many HEIs had similar issues relating to student accommodation debt. Certain HEIs might be more robust in their debt recovery approach. Given the demographics of the University's students, and its mission and commitment to widening participation, a more personalised approach was preferable, but this would continue to be kept under review.

The Chief Financial Officer stated that the bad debt provision reflected increases in tuition fee income and was expected to be higher than in 2017/18. However, the University was able to impose academic sanctions, such as withdrawal of IT and Library services, non-progression or non-graduation in respect of Tuition Fee debt. The Accounts Receivable team routinely arranged payment plans for self-funded students who were in difficulties.

Members thanked the Chief Financial Officer for an informative and helpful report.

**NOTED**

**161. Minutes of the Meeting of the Data Integrity Group held on 4 April 2019 [Paper L103]**

The Audit Committee received Paper L103, the Minutes of the Data Integrity Group, presented by the Chief Financial Officer.

The Chief Financial Officer said that the progress in relation to the OfS data audit action plan had been considered at the meeting. Data Futures had been deferred by a year, but Members noted this was a national initiative and not due to internal slippage.

**NOTED**

**162. Any Other Business**

The Chief Financial Officer said that a fraud had been committed against the University. As a result of a phishing email, a staff member's StaffSpace account had been illegally accessed by a third party. The staff member's monthly salary payment had been diverted as a consequence of a sophisticated circumnavigation of the University's control system. The incident had been reported to the police. It was not of significant level to be reported to OfS and Charity Commission.

The University's Fraud Response Group had met and preventative measures were agreed to avoid similar fraudulent activity. Members noted the measures put in place following this incident and that mandatory training on phishing and other fraudulent techniques was planned to be rolled out to all staff. Members also noted that the University would extend the licence of software designed to filter out such attempts by cyber criminals to cover all staff. This measure, together with the extended insurance cover in respect of 'cyber-crime', would help to mitigate the risk of further losses due to such fraudulent activity.

**NOTED**

**163. Date of next meeting**

The next meeting was scheduled for 17 September 2019.

**The meeting closed at 6.06pm**