

# CANTERBURY CHRIST CHURCH UNIVERSITY

## MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON WEDNESDAY 12 MAY 2021 AT 4.00PM VIA TEAMS TELECONFERENCE

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

**In attendance:** Mr M Keir (Director of Marketing and Communications) [Minute 163 only]  
Mr D Leah (Director of Finance & Chief Financial Officer)  
Mrs K Pilgrim (Assistant Director of Finance – Financial Accounting)  
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 A Barrington, KPMG  
Mr T Coclough, KPMG  
Mr R Bott, Mazars  
Ms K Peacock, Mazars

### **159. Apologies for absence [Item 1]**

There were no apologies for absence.

### **160. Declarations of Interest [Item 2]**

There were no declarations of interest.

### **161. Minutes of the meeting held on 24 February 2021 [Item 3]**

The minutes of the meeting held on 24 February 2021 were approved as an accurate record of the meeting and would be signed. A Committee member asked if the minutes held as restricted should be shared with the External Auditor. The University Solicitor and Clerk to the Governing Body (the Clerk) confirmed that nothing material had been concealed from the External Auditor; the restricted minutes related to the tender process for the appointment of the External Auditor.

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

A Committee member asked if the proposals in the Queen's Speech on a change to Charity Law would impact on the personal liability of Governing Body members, who were also charity trustees. The Clerk said that the University held Directors and Officers insurance cover. The Vice-Chancellor and the Clerk would ensure that Governors were kept apprised of any proposed change in the law around directors and trustees' personal liability.

The Chair invited the Vice-Chancellor to provide the Committee with an update on the activity of the University.

The Vice-Chancellor reported that following the Government announcements about the lifting of lockdown measures and the drop in Covid-19 cases, all students could return to

campus from 17 May. Social distancing measures would remain in place. Subject to further Government announcements, staff would be returning to campus for at least part of the working week from 1 July, with an expectation that near normal activity would resume from September.

The Vice-Chancellor highlighted three key points of particular interest from the Queen's Speech on 11 May: The Skills and Post-16 Education Bill; the creation of the Advanced Research and Invention Agency; and the Higher Education (Freedom of Speech) Bill. He noted that the University's stance on freedom of speech had been considered and strengthened as part of the refresh of the University's Articles of Association.

The Vice-Chancellor reported that the number of student applications to the University was approximately tracking 5% ahead of those received at the same point during the previous year. The increased numbers of applications received as a result of some of the University's more recent significant collaborative partnerships made it difficult to draw an exact comparison. He reported that sector-wide, students were tending to delay making their final choices, in part due to the uncertainty of the external environment.

In terms of the budget, the Director of Finance and Chief Financial Officer (CFO) was in the process of finalising the report on the University's 9-month financial position. The Vice-Chancellor reported that the University was in a better than expected position. However, it was important to recognise that many factors remained uncertain, such as the potential levels of student rebate claims and significant estates costs. Strong student recruitment and retention, and the new collaborative partnerships had been vital in achieving this position.

The Vice-Chancellor reported that the Director of IT had left the University to commence another position. His successor had been recruited to a new role, Director of Digital Strategy and IT, and would be a member of the Senior Management Team. The Pro Vice-Chancellor (Medical Education Development) and Dean of the Faculty of Medicine, Health and Social Care would retire towards the end of the year. Interviews for her replacement would be held shortly and the Vice-Chancellor was confident in attracting a high-quality candidate. The relevant members of the Governing Body who were industry experts were included on the interview panels for both positions.

The Chair asked the Vice-Chancellor if an update on the University's Financial Position could be included on the Audit Committee agenda going forward, to provide the Committee with context and assurance that activity was on track. The Vice-Chancellor agreed that a very high-level report could be provided. It would be important not to conflate the responsibilities of the Audit Committee and the Finance and Resources Committee.

### **163. Strategic Discussion Item: Deep Dive of Risk 5, Failure to meet student recruitment targets [Item 5]**

The Audit Committee welcomed the Director of Marketing and Communications to the meeting. The Director of Marketing said that he was the risk owner for risk 5, 'Failure to meet student recruitment targets impacted by the pandemic'. The risk had featured on the High-Level Risk Register since October 2017, and had been amended in May 2020 to reflect the expected impact of the Covid-19 pandemic on student recruitment.

The Director of Marketing said that student recruitment was the vital income stream for the University. However, recruitment had become increasingly challenging due to the removal of student number caps, Brexit, and changes to student finance. These problems were compounded by the Covid-19 pandemic.

The negative impact of the pandemic on student experience had been widely reported and scrutinised by the media, with a high-profile example at Manchester Metropolitan University. The Director of Marketing said this coverage had a direct impact on prospective students across the sector. The Government had appointed an Education Recovery Commissioner, who would monitor the impact on year 12 and 13 students.

The Marketing and Communications Department used market research and monitored competitor institutions performance to support recruitment. In addition, the Recruitment and Admissions, task force, chaired by the Vice-Chancellor, met weekly and would continue to do so until October.

The Director of Marketing said that from 17 May, when certain lockdown restrictions would be lifted, campus tours for prospective students would resume, including tours of the new Verena Holmes Building. He said that research had shown that these in-person visits were extremely important to students when deciding which University to attend.

The Marketing Department worked closely with the Quality and Standards Office to put in place strategic controls, such as Further Education partnerships and league table positioning. It was also important the University's academic portfolio remained relevant. Market testing was regularly undertaken, and the University's digital platforms, for example the Study Here page of the website, were regularly reviewed.

Throughout the period of the pandemic the University had shifted its open days online. Several successful virtual events had been held and another was scheduled for mid-June. KPIs related to open-day engagement were carefully monitored and virtual events had performed better than in-person events in many areas. The Marketing and Communications team would carefully consider which aspects of the virtual offering would be maintained post-pandemic.

The Director of Marketing reported that a strong clearing strategy was in place, and the aim was to recruit continuously until the end of October. Recruitment campaigns specifically targeted the rise in mature students looking to re-train due to high levels of unemployment. Recruitment campaigns also directly addressed the concerns of the 17 and 18 year old demographic about wellbeing support and the impact of the pandemic on their education thus far. The University ran e-mentoring schemes for further education students, which mirrored peer mentoring schemes at the University, and hosted a webinar programme, 'Understanding Higher Education'. Together, these initiatives were intended to address anxieties further education students had about the higher education experience.

The University's Admissions function had been temporarily moved into the Marketing and Communications Department, to streamline processes. The two teams would work to effectively communicate the University's unique selling points.

Other initiatives that supported student recruitment were: the offer of 1:1 conversations with academics, a call-out campaign from current students to answer general queries and the new Undergraduate area of the website, which included detailed information on available financial support.

A Committee member asked how the relationship between recruitment and retention was managed. The Director of Marketing said that the University aimed to provide a smooth Transition, Orientation, and Induction experience for all students. In addition, the e-mentoring activities offered to further education students ensured students arrived at the University well prepared for the experience.

A Committee member asked if any particular demographic of school pupil was targeted within the University's feeder schools, for example STEM students. The Director of Marketing confirmed that key subjects were supported by the University's outreach programmes. A particularly successful example was the Inspiring Minds project, which targeted GCSE students and encouraged them to consider STEM subjects. This activity was supported and tracked using the Higher Education Access Tracker (HEAT).

A Committee Member asked whether offers made to students were primarily based on examination grades. The Director of Marketing said that the University made offers holistically using the wider context of the application and personal statement. This was of particular importance when making offers to mature students, who had varied experiences beyond school grades. The overall aim of the Admissions team was to recruit students with the potential to succeed in higher education. The University drew on its alumni network in various ways to support recruitment, with certain alumni talking about their experiences at open days or during clearing and others appearing in advertising campaigns.

The Chair thanked the Director of Marketing for his presentation.

#### **164. University High Level Risk Register May 2021 and Annual Report of the Vice-Chancellor [N101 Item 6]**

The Committee received the University High Level Risk Register May 2021 and Annual Report of the Vice-Chancellor, paper N101.

The Clerk said that following recommendations made as part of an internal audit review in 2020, various improvements had been made to the High Level Risk Register. These included target completion dates, and the alignment of risk appetite and risk register scoring to provide an easier visual comparison. The annual risk aggregation exercise had taken place over the summer 2020 period to ensure that local risk reporting aligned with Business Planning and the High-Level Risk Register.

No risk workshops had taken place in 2020-21 due to the Covid-19 pandemic. However, as part of the Operational Risk Management review staff who engaged with risk monitoring had completed a soft controls questionnaire.

The University Solicitor said that seven risks remained on the High Level Risk Register, the highest of which were risk 3, 'Failure to ensure the University remains competitive and sustainable in the marketised environment and manage government changes in HE' and risk 5, 'Failure to meet student recruitment targets'. No new risks had been escalated to the High Level Risk Register. Two risks had been downgraded: 'Incomplete or Inaccurate Student Data' (Amber) and 'Failure to manage risks associated with the Master Planning development of the University's Estate' (Green).

The residual risk score of a sub-risk of Risk 3 relating to remaining competitive and financially sustainable had been downgraded from 20 to 15 (retaining a 'red' residual risk rating) following the signing of the revised loan agreement with the banks. The CFO would re-draft the University's Financial Performance and Sustainability Risk Appetite in accordance with the covenant levels contained required pursuant to the revised loan agreement. The new Risk Appetite Statement would reflect the new covenant requirements. This would be presented to the Finance and Resources Committee in June, and the Audit Committee in September for Governing Body approval in September.

**RESOLVED:**

That the High-Level Risk Register be approved; and  
That the Annual Report of the Vice-Chancellor be noted.

**165. Internal Audit Plan 2021/22 [N102 Item 7]**

The Audit Committee received the Draft Internal Audit Plan 2021/22. The Internal Auditor said that the plan had been drafted in discussion with the CFO and the Assistant Director of Finance [Financial Accounting]. SMT had received a shortlist for consideration and based on that discussion the paper outlined the eight proposed areas for review in 2021/22. A 'first reserve' list had also been provided.

The Internal Auditor said that the specific area for the review of Student Experience would be clarified in due course. The review of Business Continuity had been due to take place in 2020/21 but had been postponed to 2021/22 due to the pandemic.

The Internal Auditor said that there were three reviews focussed on the implementation of the new student records system (SITS). These would be undertaken by an experienced specialist team. The CFO highlighted that in addition to the three proposed reviews of SITS implementation, changes had been made to the structure of the Department of Planning and Academic Administration to allow the Director to focus attention on the MOSI project. He said that the Deputy Vice-Chancellor and he would focus on data quality in business processes, where there remained a certain amount of risk.

A Committee member referred to the heat map (page 40) and asked which quarter should be of most concern to the University. The Internal Auditor said that approximately 50% of reviews would come from the 'core operations' quarter.

The CFO said that the 'Managing Partnerships' review on the first reserve list would be important due to the significant new partnerships entered into by the University. It was, however, too soon to do a meaningful review in 2021/22. He acknowledged that the University had found managing data quality associated with partnerships challenging in the past. The University hoped to draw on the experience of the KPMG specialist team in this area.

The Internal Auditor said that a final plan would come to the September Audit Committee meeting for approval.

**RESOLVED:**

That the Draft Internal Audit Plan 2021/22 be approved.

## **166. External Audit Plan Update report to the Audit Committee for the year ending 31 July 2021 [N103 Item 8]**

The Audit Committee received the External Audit Planning Report for the year-ended 31 July 2021 [paper N103]. The Committee welcomed the University's new External Auditor, Mazars, to their first meeting. The Audit Manager introduced herself and said that she had 12 years of experience in the higher education audit sector.

The External Auditor's Audit Manager reported that meetings with certain key finance staff had already taken place, and interim work would commence on 12 July. This would involve documenting systems and controls and reviewing the work undertaken by the previous External Auditor, Deloitte. She said that government guidance would be followed when deciding whether the review would take place on site, or virtually. It was her preference that at least some of the work be undertaken in person. The External Audit report for year-ended 31 July 2021 would be presented to the Audit Committee in November 2021. The Vice-Chancellor pointed out that the report would need to be ready in time for the 23 November Annual General Meeting.

The External Auditor said that the key risks to be reviewed were:

- Income recognition;
- Management override of controls;
- Going Concern and impact of COVID-19;
- Covenant compliance;
- Valuation of assets;
- Capital projects; and
- Classification of funds.

The External Audit Partner said that pensions assumptions would also be an area of interest, as these had increased significantly in 2020, and it was not yet clear what assumptions would be made for 2021.

The External Audit Partner confirmed the Auditor's independence from the University. He also confirmed that the Audit fees would be the same as those proposed during the tender exercise.

He said that the level of materiality for the University had been set at £1.6 million, and the threshold for trivial matters was £48K. The CFO said that he expected that the Finance and Resources Committee would be supportive of the revised levels, as they had been uncomfortable with those set by the previous External Auditor (materiality at £2.1 million and the trivial threshold at £100k).

The CFO said that there were a small number of management judgements to be made, including the provision for fee rebate claims in relation to the online learning provision, which could be made up to six years after the event. These would be discussed with the External Auditor in due course.

### **RESOLVED:**

That the External Audit Plan for year ended 31 July 2021 be approved.

## **167. Internal Audit Progress Report [N104 Item 9]**

The Committee received one report from the Internal Auditor: Cyber Security (Amber/Green). This report was a follow up to the 2019 Cyber Security review.

The Internal Auditor said that there were three outstanding reviews on the 2020/21 workplan. The reviews of Capital Asset Management and Procurement were in the debriefing stage, and a draft version of the review of Operational Risk Management was expected shortly. These reviews would be reported to the September Audit Committee meeting. The review of Business Continuity had been postponed to 2021/22 and replaced with the review of Capital Asset Management. At the request of the Committee, the Internal Auditor agreed that the three outstanding reviews would be circulated in advance of the September meeting to alleviate pressure on that agenda.

The Internal Auditor's Cyber Security Expert was invited to speak to the Cyber Security report. He said that the review was a good news story. The previous Cyber Security review had contained 11 recommendations. These were now all complete or partially complete. The 2021 review contained only four medium priority recommendations.

He said that the biggest risk factor in cyber security was always the human error element, which accounted for 80-90% of successful attacks. This was the case across the sector. It would be vital to emphasise the importance of individual responsibility for cyber security, through the use of annual mandatory training, and control of access to information, for example by promptly removing access to certain information when staff changed role.

The four minor recommendations mainly centred around policy updates, including the need to tighten the Bring Your Own Device Policy.

The Vice-Chancellor reported that 12 universities had recently fallen victim to significant ransomware attacks. He asked if the University's recently introduced multi-factor authentication system addressed concerns over this type of cyber security risk. The Internal Auditor said it was a good step, but the key was staff understanding their personal responsibilities.

A Committee member acknowledged that some Governing Body members considered its cyber security arrangements could be better. The Internal Auditor said that although the Governing Body was a small sub-set of people, it was always helpful to identify areas for improvement. The Internal Auditor said that staff training and understanding would be more impactful than security software in the long term.

**NOTED.**

#### **168. Internal Audit Recommendations – Management Control Report [N105 Item 10]**

The Audit Committee considered the Internal Audit Recommendations – Management Control Report [Paper N105]. The Assistant Director of Finance [Financial Accounting] said that three actions had been completed. Certain outstanding actions continued to be affected by Covid restrictions, and 14 actions had therefore required extensions to their original completion dates. Seven actions from the 2019 Cyber Security review had been superseded by the 2021 Cyber Security review. These would be reported on from September. One outstanding low-level recommendation from the 2019 Payroll review had been reviewed by HR&OD and removed, as it was no longer realistic to complete it.

**NOTED**

#### **169. Data Returns Quality Assurance Group (DRQAG) [Item 11]**

The Director of Finance reported that because the DRQAG had only met the previous week, summary minutes were not yet available. The group had considered the HESA and HESES returns. The HESA return would require the use of QL, whereas the HESES return would be made using SITS. This was complicated by data being held in both systems. The Group also continued to monitor the HEFCE/OfS data quality audit plan.

The CFO acknowledged that it was a critical moment of SITS implementation, in terms of data integrity and student experience. It would be vital not to repeat mistakes made during the summer 2020 student registration process. The provision for OfS clawback in relation to data quality would be considered with the University's External Auditor.

#### **170. Any other business [Item 12]**

The Chair said that it was the last meeting of Co-opted Committee Member, Julian Hills. The Chair thanked Julian for his years of invaluable service to the University. These sentiments were warmly echoed by the Vice-Chancellor. The Committee wished Julian all the best in his retirement.

#### **171. Confidentiality**

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

#### **172. Date of next meeting**

Monday, 13 September 2021 at 4pm.

The meeting closed at 5.45pm.