

CANTERBURY CHRIST CHURCH UNIVERSITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY 17 SEPTEMBER 2019 AT 4.00PM IN THE FREDERIC MASON ROOM AT THE PRIORY

Present: Mr Philip Fletcher (Chair), Mr Julian Hills, and Mr Steve Sutton

In attendance: Mr David Leah (Director of Finance & Chief Financial Officer)
Mrs Karen Pilgrim (Assistant Director of Finance – Financial Accounting)
Ms Alison Sear (Clerk to the Governing Body)
Professor Rama Thirunamachandran (Vice-Chancellor)
Ms Eleanor Currie (Governance and Legal Services Assistant)
Mr Richard Hewes (KPMG)

1. Apologies for absence

Apologies for absence had been received from Ms Sue Appleby, Ms Pam Jones and Mr Quentin Roper.

2. Declarations of Interest

The Committee noted the standing declaration of interest from Mr S Sutton, regarding his professional partner's work with the Students Union. It was agreed to consider this as a standing declaration in future.

3. Minutes of the meeting held on 8 May 2019

The minutes of the meeting held on 8 May 2019 were approved and signed as an accurate record of the meeting.

4. Matters arising not appearing elsewhere on the agenda

The Vice-Chancellor was invited to provide an update on developments affecting the University that were of relevance to the remit of the Audit Committee.

The Vice-Chancellor said that on a positive note, the draft 2018/19 end of year management accounts showed an £875k operating surplus, which was favourable in terms of the budgeted position.

The University's recruitment of new students commencing in 2019/20 was ongoing and the external environment had been exceptionally competitive. The Vice-Chancellor said that at that point, fewer new Undergraduate students had been recruited compared to the ambitious recruitment targets set by the University. Importantly though, approximately 3,600 Undergraduate students had been recruited against the minimum number of 3,788 required to achieve the income budget this year. It was anticipated that this number would reach approximately 3,675 Undergraduate students by the time the clearing period ended. Work was ongoing to confirm the current new Postgraduate student numbers. To date, 610 Postgraduate Taught students had been recruited against a target of 709.

Currently new student numbers indicated a budget shortfall of approximately £2million. The University was preparing to make in-year savings in respect of this shortfall.

In terms of returning students, the Vice-Chancellor noted that Welcome Week and student registration was in progress. He said that the majority of Faculty of Education and Faculty of Health and Wellbeing students had already been enrolled. It was considered likely that a number of returning students who had yet to enrol, simply had not realised that they needed to do so. Targets for returning students were anticipated to be met.

The student recruitment position of the University compared to its competitor institutions was not yet clear, but Members noted that challenges around student recruitment were being felt across the sector. The Vice-Chancellor reminded Members that new STEM programmes and an upturn in the 18-21 year old population would stimulate growth in student numbers from 2022/23.

A full update on the latest student recruitment numbers would be provided at the Governing Body meeting on 24 September.

The Vice-Chancellor confirmed that there had been no further movement concerning the recommendations of the Augar Report and the impact of that report on Higher Education funding was still unclear.

The Vice-Chancellor commented on the continuation of the University's planning in response to the increasing uncertainty surrounding Brexit. He assured the Committee that the Deputy Vice-Chancellor's EU Referendum Group was considering plans for both "deal" and "no-deal" Brexit scenarios. A significant risk to the University was staff mobility and availability. The risk to the STEM Building (Building 2) supply chain was considered to be less significant now given the advanced stage of construction. Decreasing EU student numbers had in any case been factored into the budget already.

The Vice-Chancellor updated the Committee regarding two forthcoming changes to the Senior Management Team. Professor Gillian Youngs, Dean of Arts and Humanities, would leave the University at the end of September 2019. The leadership of the Faculty of Arts and Humanities would be covered by the Deputy Vice-Chancellor, Professor David Shepherd, until his retirement at the end of 2019. Thereafter, the responsibilities of these two SMT members would be covered by several existing SMT colleagues.

The Vice-Chancellor was thanked for his update.

In response to a question from a Committee Member, the Chief Financial Officer updated the Committee on the risk to the University in the event it breached one of the financial covenants in place with the banks pursuant to the loan arrangements to fund the Estate Master Plan. He confirmed that the communication lines with the banks were ongoing, open and transparent. Both banks had requested further confirmation and discussion regarding student forecasts during the regular meetings which took place. The Committee Members noted that the University intended to provide the banks with a clear narrative about the favourable position of the University in terms of liquidity. The bids for further capital grant funding were in progress and were positive

messages. The University's recruitment of new students might not be meeting the planned targets which the University had set itself. The challenging period was anticipated to be short term against a backdrop of a dip in the population of the typical undergraduate student age group. A contingency of £3million had been retained in the budget to mitigate the risk of not reaching the planned recruitment targets. However, in terms of overall student numbers, Members noted that the University was not showing an overall material decrease at the level of some other institutions. The Chief Financial Officer said that he considered the most beneficial course of action would be for the banks to remove the Net Debt to EBITDA covenant and instead rely on the existing covenants based on liquidity which was the better indicator of financial health. The view of the banks would be known and shared with Governors at the Governing Body meeting in November.

5. Audit Committee Terms of Reference Review and Draft Audit Committee Work Plan 2018/19 [Paper M1]

Members of the Committee received Paper M1, the Audit Committee Terms of Reference, compliance statement and draft Work Plan for 2019/20. The Clerk said that this was a standing item at the first meeting of the Committee in the new academic year to ensure that the Terms of Reference remained fit for purpose. It was confirmed the proposed Terms of Reference reflected that Audit Committee would no longer have responsibility for the University's compliance with the requirements in relation to the TRAC and TRAC (T) returns. It was confirmed that the Committee would retain visibility by way of the TRAC Assurance Report which would be submitted to the February meeting. The Chief Financial Officer confirmed that the Value for Money report should be removed from the Work Plan as it was now an optional report and would not be completed for the 2018/19 year.

RESOLVED:

That the Audit Committee 2019/20 Terms of Reference and Work Plan be approved, subject to the removal of the Annual VFM report from the Work Plan.

6. Internal Audit Annual Report 2018/19 and Plan 2019/20 [Paper M2]

The Audit Committee received Paper M2, Internal Audit Annual Report 2018/19 and Plan 2019/20. The representative from Internal Audit spoke to the paper.

The Internal Auditor said that the GDPR audit report had been delayed and would be circulated to the Committee once finalised. This had not impacted on the Internal Audit Opinion for 2018/19 on the overall adequacy and effectiveness of the University's framework of governance, risk management and control, which was "Significant assurance with minor improvements", an Amber-Green rating. Members noted the Internal Auditor's positive confirmation that it had not issued a "Significant assurance" rating to any institution in the sector in 2018/19.

In terms of the Internal Auditor's monitoring of its own performance, it was agreed that its target of 100% for 'management responses to reports received and agreed within 7 working days of receipt of report' had been unrealistic and therefore would be reconsidered by Internal Audit going forward. The 5%

Internal Auditor staff turnover rate would also be re-considered for the same reason. Following a comment from a Committee Member, it was agreed that a few sentences would be inserted by Internal Audit to mitigate and contextualise the target shortfalls in these areas.

The audit plan for 2019/20 had been based on discussions with senior staff and areas of focus within the sector. The final list had been approved by the SMT.

The audit of Asset Security had already been bought forward and completed due to an incident of theft at the University.

The Committee welcomed the inclusion of an audit of Student Withdrawals which was considered a continuation from Student Recruitment.

The Internal Auditor said that Strategic Risk Management would be considered in March and April 2020 to factor in time for reflection by staff after the Risk Management Workshops hosted by KPMG in June 2019.

The Internal Auditor explained that the IT and Data Security Audit was important and well timed as the University would have to comply with the newly introduced Data Security and Protection Toolkit by virtue of providing medical and healthcare programmes. Going forward, all NHS partner organisations would require universities to confirm their compliance with the Toolkit before the NHS trusts would agree to share their data.

The Internal Auditor confirmed that Safeguarding had not been included in the 2019/20 plan but would be considered for 2020/21 as it was an area of focus for the Office for Students. The number of the University's students completing Education placements with under-18s or Healthcare placements with vulnerable adults resulted in a greater significance of this area to the University than it might be in other institutions. It was confirmed that Forecasting had not been included in the 2019/20 plan but would be considered for 20/21 given the ongoing uncertainty and discussions which are impacting on future years' student number predictions.

RESOLVED:

That the Internal Audit Annual Report 2018/19 and the Internal Audit Plan 2019/20 be approved.

7. Internal Audit Reports [Paper M3]

The Audit Committee received Paper M3, Internal Audit Reports.

- Asset Security was rated "Partial Assurance with improvements required" (Amber-Red), which was as expected by management. This audit had been conducted following the theft of moderately high value assets in the School of Media, Art and Design. Internal Audit focussed on preventative policies and procedures, and detective controls, which were found to be inadequate. The Assistant Director of Finance said that the four medium and four low priority audit recommendations had been welcomed by technicians in the Faculty of Arts and Humanities, and

would be rolled out across the University in departments where high value assets were routinely borrowed by students and staff.

- HESA Staff Return was rated “Significant Assurance with minor improvements” (Amber-Green) which was an improvement from the previous report in this area and was as expected by management as a result of the implementation of the online HR portal, StaffSpace. The Internal Auditor said that within the sector this area was often rated green so there was potential for improvement at the University. There was one medium priority audit recommendation and three low priority recommendations. It was necessary to have more rigorous procedures in place around faculty validation and documentation of accuracy and completeness checks.

In response to a question from a Committee member regarding the HESA Student return, the Chief Financial Officer replied that the University was still holding a contingency to mitigate this risk in the event that the OfS was minded to impose a financial sanction in relation to the quality of the University’s student data. An updated response from the OfS was expected to be received before the next Committee meeting. Members noted that the University’s compliance in this area would be improved following the implementation of the new student records system.

NOTED

8. Internal Audit Recommendations – Management Control Report [Paper M4]

The Audit Committee received Paper M4, the Internal Audit Recommendations - Management Control Report. The Assistant Director of Finance said that 34 recommended actions had been reviewed across 11 internal audit reports, undertaken in 2017/18 and 2018/19. 25 actions had been closed and 9 actions remained open. Of these 9 open actions, 4 were not yet due for completion. The Assistant Director of Finance confirmed that she was continuing to engage with action owners to monitor progress continuously and the Chair thanked her for her rigorous approach to monitoring.

NOTED

9. Risk Management Update [Paper M5]

The Audit Committee received Paper L6, Risk Management Update. The University Solicitor and Clerk to the Governing Body invited the Committee to approve the revised Risk Management Framework including the Risk Appetite Statement. The Risk Management Framework had been updated to align with the refreshed Strategic Framework (2012-22); to remove outdated references to HEFCE and insert reference to the OfS; and to include reference to the Change Portfolio Assurance Board in the Risk Management Process.

The Clerk confirmed that following consideration of the SMT, the High Level Risks had not changed and the highest rated risk continued to be Risk Number 6 “Failure to meet student recruitment targets”. There had though, been substantive changes to action progress in terms of High Level Risk Numbers 2-5, 7, 9 and 11. In response to a question from a Governor, the Clerk confirmed that

the Risk Appetite Statement had not been amended, but the financial performance and sustainability risk category section within the Risk Appetite Statement would be revised in November by the Chief Financial Officer, following the generation of financial forecasts for the OfS.

In terms of the Risk Management Framework, a Governor asked that there be further reflection on the choice of Risk examples in the Risk Scoring Likelihood Evaluation Criteria at Appendix 3A, and that the role of the Audit Committee be made explicit in the diagram concerning Risk Assurance Arrangements at section 3.1 of the Risk Management Framework.

In response to a question from a Committee Member, the Clerk confirmed that the delayed GDPR Internal Audit report had not raised any significant concerns regarding the management response to data breaches at the University. She did not consider that the High Level Risk Register needed updating to include the risk of failure to manage data breaches.

RESOLVED:

That subject to the minor changes to the Risk Management Framework specified above, the Risk Management Framework and Risk Appetite Statement be approved.

10. Fraud, Bribery and Whistleblowing Report 2018/19 [Paper M6]

The Audit Committee received Paper M6, the Fraud, Bribery and Whistleblowing Report 2018/19 including a cybercrime update.

The Chief Financial Officer said that the Fraud Response Group had met on four occasions. This was in response to an incident involving a theft of the University's assets by an ex member of staff and one successful cyber-attack during which an individual disclosed personal data which compromised their payroll record.

He noted that the Internal Auditor's review of Asset Security had been in response to the first and the most significant in terms of loss of the instances of theft.

The Chief Financial Officer also advised that whilst preparing this report, he was made aware of another incident of theft of a more minor nature of computing components. This matter was scheduled to be reviewed shortly through a meeting of the Fraud Response Group.

The cyber-attack had temporarily compromised StaffSpace and the hacker was able to divert one month's salary payable to a staff member into their own account. Management had worked closely with the police in respect of all these cases of fraud and positively, the University had recovered a significant portion of the losses from its insurers.

The Clerk had made a report to the Charity Commission as required and would update the Commission with a progress report in due course. The Chief Financial Officer said that he would alert the OfS as required.

In terms of cybercrime, the Chief Financial Officer confirmed that phishing attempts targeting the University and its staff had become increasingly sophisticated. In response to this, Cyber Security Training had been made mandatory for all staff; awareness raising activities had taken place; Purple Phish was used to test staff awareness and pinpoint areas of weakness; and Advanced Threat Protection licences had been issued to all staff.

A Committee Member noted that there had been only one submission to the Gifts and Hospitality Register in 2018/19.

The Clerk said that the Charity Commission had circulated a "round Robin" reminder that charity trustees were responsible for ensuring serious incidents were reported and for undertaking periodic reviews of the University's procedures relating to reporting serious incidents. The Commission's guidance had been reviewed. The Committee noted that the Charity Commission was concerned about sector-wide underreporting rather than having any specific concerns. The Clerk and the Chief Financial Officer said that a review of the University's procedures would be considered by the Finance and Resources Committee in March 2020 as a direct response to the Commission's communication.

NOTED

11. Minutes of the Meeting of the Data Integrity Group held on 24 June 2019 [Paper M7]

The Audit Committee received Paper M7, minutes of the meeting of the Data Integrity Group held on 24 June 2019. The Chief Financial Officer said that following the retirement of the Deputy Vice-Chancellor in 2020, who was Chair of the Strategic Data Returns Group the two groups could merge, providing a more coherent way of managing data returns. He said that a further update would be provided to the Audit Committee in due course.

NOTED

12. Any Other Business

There was none.

13. Confidentiality

There were no matters discussed to be kept confidential from the published minutes.

14. Date of next meeting

The next meeting would take place on Wednesday, 13 November 2019 at 4pm

The meeting ended at 5.41pm.

Signature.....

Date.....

