

CANTERBURY CHRIST CHURCH UNIVERSITY
MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON
MONDAY 19 MAY 2022 AT 4.00PM IN
VERENA HOLMES BOARDROOM (VH.3.03) AND
VIA MICROSOFT TEAMS

Present: Mr C Stevens (Chair), Ms S Appleby, Mr S Carey*, Mrs P Jones, Mr R Perera, Cn Q Roper, Mr S Sutton

In attendance: 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 Margaret Ayers (Director of Human Resources and Organisational Development (HROD)) – minute 173 only
Mr N Theisen (Governance and Legal Services Assistant)
Ms H Andrews (KPMG)
Ms A Barrington (KPMG)
Mr R Bott (Mazars)

*attended via Microsoft Teams

169. Apologies for Absence [Item 1]

There were no apologies.

170. Declarations of Interest [Item 2]

There were no declarations of interest.

171. Minutes of the meeting held on 21 February 2022 [Item 3]

The minutes of the meeting on 21 February 2022 were approved and were signed as an accurate record of the meeting.

A Governor asked for more detail be provided on the action log, so that if it states 'In progress' the Committee receive a timescale for completion and what work has been completed or actioned.

The University Solicitor and Clerk to the Governing Body (Clerk) confirmed actions 162 and 123 were ongoing in nature and could be removed from the action log.

Action: The Action Log will refer to timescales, if possible, for 'In progress' actions.

172. Matters Arising Not Appearing Elsewhere on the Agenda [Item 4]

The Chair suggested a future agenda item on 'succession planning' for Governors and for Senior Management

The Vice-Chancellor confirmed the Chairs Committee along with the Remuneration Committee were responsible for Governance oversight of succession planning for Governors and Senior Management. He reminded members of the Audit Committee that should they wish to discuss further they were welcome to contact the Vice-Chancellor's office to have a confidential conversation at any time.

There were no other Matters Arising.

173. Deep Dive of Risk 6: People and Culture (Risk of Insufficient Capacity and Capability to Deliver Changes Necessary to Realise Strategic Plan Goals and Business as Usual) [Item 5]

The Director of HROD presented an overview of the risk relating to succession planning and leadership capability which were linked to strategic planning and ongoing improvement of HROD processes. She explained there were two sub-risks: (i) the University is unable to realise its strategic plan ambitions due to a lack of effective leadership and change management capacity; and (ii) insufficient capacity and capability to deliver changes necessary to achieve business as usual.

The second sub-risk was added in response to the Covid pandemic and the effects it had on staff, both mentally and physically. The risk had since been modified to focus on the return to working on campus and the strategic aim of returning to 'business as usual' whilst trialling the 'hybrid' model for professional support services. The Director stated that the risk would continue to be monitored, specifically around the areas of recruitment and retention. A new people strategy would be developed around the work being undertaken on the Strategic Framework. She stated that the staffing difficulties faced by the University were not unique to the University and could be found internationally and across sectors. The Senior Management Team (SMT) had discussed the mitigation of the risk of lack of skilled staff with a focus on IT infrastructure, specifically around the MOSI project. Contractors had been appointed to meet the skills gap but building capacity to achieve a more robust work force was still required. More broadly, the University had looked at ways to better retain and support staff by creating better structures and updating the market supplement policy, using retention payments and golden hellos. She stated that these aims and mitigations were complicated by the University's inability to compete with the private sector on pay as well as the growing return of staff and students to campus.

The Director of HROD stated that Universities were historically considered attractive employers within the local area. She reflected on the perception about employees being able to work from home or remotely had changed which expanded the pool of potential

employers for the local workforce. To mitigate the difficulty in recruiting the University was beginning to look internally would host its first staff recruitment fair amongst its current students on 25 May 2022. There were also discussions around internal placements for students to enhance the image of the University as an employer offering administrative roles rather than just academic roles. She said there were also discussions around internal placements for current students, specifically in engineering and IT, and how student could be recruited as future employees.

A Governor commented that it was positive that the University had taken measures in actively recruiting students for vacant University positions.

A Governor asked whether there was more turnover in academics or professional services.

The Director confirmed that the majority of staff turnover was in professional services where it had doubled from the previous year; there were approximately 20 leavers per month. She said the number of vacancies was over one hundred and was consistent with the current job market. She stressed that the attrition rate was not consistent across departments and disproportionately affected the IT department. University IT remuneration was based upon the National Pay Scale which was underpinned by the Job Evaluation Scheme. Many colleagues in IT considered it to be a misrepresentation of the value of work done by IT departments and thus the University made use of market supplements in its reward strategy. She said there had been discussion about moving away from the National Pay Scale. However, such a move would make the University an outlier in the sector. She said that work culture was an important non-pay incentive and the University saw greater retention in areas where the work culture was mainly positive.

The Chair acknowledged the positive aspects of the University's situation as it had not been, as with other universities, disrupted by strike action throughout the pandemic.

The Director of HROD confirmed that there were positives as the University had navigated short-time-working during the pandemic without strike action. Other universities had employee relations as one of their top risks which can lead to reputational risk in terms of students, whereas the University had remained undisrupted.

Representatives from the internal and external auditors both confirmed that there were shortages across institutions and across sectors, specifically in cyber recruitment. The recruitment of skilled workers posed specific challenges; it was an employee's market.

The Vice-Chancellor confirmed, in relation to the MOSI project, that the University was required to use contractors and consultants to fill in gaps while the University recruited into long-term IT posts. He stated that at the end of 2021 there had been nine or ten third-tier vacancies. He said the use of external consultants was an expensive solution and the use of market supplements could be viewed as a less expensive option and would go further towards retaining staff.

The Director of Finance and Chief Financial Officer (CFO) said that the introduction of the hybrid working model had led to recruitment of individuals from further afield who may only attend the University once or twice per month. He stressed the difficulty in affecting a culture change when individuals worked remotely as opposed to coming into the office. There continued to be no shortage of projects which could be prioritised if the recruitments levels were able to be maintained.

A representative from the Internal Auditor highlighted the benchmarking across HEI risk registers indicating a rising risk around staff wellbeing. This was not a top five risk within the sector but saying that, prior to the pandemic, it did not even appear on risk registers.

The Vice-Chancellor left the meeting briefly to attend to an urgent regulatory matter.

The Director of HROD said that the staff risk was not a stand-alone risk as it touched on every area of the University. In an effort to increase a positive work culture and to assist in managing the risk, the University had introduced a staff award scheme in 2021 in celebration of staff. She stated that it was well received with more than 300 staff attending the online awards ceremony.

A Governor suggested that risk updates at future meetings of the Audit Committee highlight emerging gaps within staffing levels having an actual or potential detrimental impact on the University's delivery of its strategic plan.

The Chair thanked the Director of Human Resources and Organisational Development for her presentation.

[The Director of HROD left the meeting.]

174. Summary Update on the University's Financial Position [Paper O107] [Item 6]

The CFO presented the Summary Update on the University's Financial Position. There was a positive year-to-date position with surpluses ahead of budget; a forecasted year end surplus of £8.5 million. The University continued to be within its capital investment limits, largely through slippage into the following year, and would not be in breach of its agreement with the banks. Cash flow was positive following the recent receipt of the latest tranche of student loan funding. The University was in a positive position in relation to having no current requirement to draw down from its revolving credit facility (RCF). There would though be a need for partial draw down against the £47m facility during the latter part of the financial year. He stated cash flow projections were complicated by the growth in partnerships as their recruitment dates throughout the year did not fit into the three annual Student Loan Company disbursements. The CFO assured the committee that the cash flow continued to be in a positive position and would be presented, along with the third quarter results, to Finance and Resources (F&R) Committee at their next meeting on 1 June.

The CFO stated the 2022/23 budget paper for presentation to the F&R Committee was almost complete and showed a slight reduction in the anticipated surplus for the year. The decrease from the forecast position provided to the OfS reflected inflationary concerns, in the context of no change in the government position on an uplift to maximum tuition fees. Staff cost pressures including pay award, incremental drift and other staff incentives, along with higher non-staff costs inflation has given rise to this change. He added that work was underway to develop the Strategic Framework 2023-30 and the budget was a transitional position. This would be reviewed mid-year in the context of Vision 2030 and before submission to the OfS in February 2023.

A Governor asked whether the decision to limit capital investment within the full year budget of £10.3 million was a strategic decision.

The CFO stated the capital investment allowance agreed with the banks did not take into consideration the University's success in attracting capital grant support from funding parties. The banks are supportive of a common-sense approach to ensure that capital expenditure does not inadvertently breach the loan agreement. The CFO advised that it was not anticipated that a breach would occur and if there were any risks to this, then the banks would respond positively to a waiver request.

The CFO advised that certain Estates and IT capital costs had been re-classified as revenue expenditure. This included licensing software and estate maintenance costs which, on review, were more appropriately categorised within the income and expenditure statement.

A Governor asked about the RCF and the University's current projections to draw down.

The CFO stated in April 2023 the full amount of the RCF would term out and could be drawn down into a 20-year amortizing loan. The University would determine the amount in the context of and to align with the new Strategic Framework 2023-2030. The final version of the Strategic Framework was scheduled to be approved by the Board in November 2022. The University would consult with the banks between November and the end of March 2023.

The Chair asked for any aspect of the decision impacting on the Audit Committee's remit to be included on the committee's agenda prior to the decision making.

The CFO said that the decision on the quantum of the draw down would be for the full Board. In terms of negotiating with the banks, the Board had delegated authority to Chair of the F&R Committee, the Vice-Chancellor, the CFO and the Clerk.

Action: The CFO to include the status of the draw down discussions in the financial position briefing paper for the November Audit Committee meeting.

NOTED

175. Annual Review of Risk Management Arrangements (Report of the Vice-Chancellor) and Annual Risk Register [Paper O108] [Item 7]

The CFO said that responsibility for Risk Management at the University had passed from Governance and Legal Services to the Finance Department with the aim of making it more embedded in the business planning approach. His aim was to provide a refreshed High-Level Risk Register (HLRR) to present at a future meeting of the Audit Committee. The report summarised the Risk Management activities undertaken during the current academic year. Notably, on 3 May 2022 SMT approved several changes to the High-Level Risk Register:

- removal of High-Level Risk 4 – ‘Failure to recruit international students’. Revenue had increase from £2.5m in 2020/21 to £3.5m in 2021/22 which, when coupled with the increase in the University’s budget to nearly £200m did not constitute a significant enough risk to remain on the HLRR. The risk remained on the local risk register.
- Risk 5 – ‘Failure to meet student recruitment targets’, had been downgraded from a black to a red rated risk. Student recruitment targets for directly delivered programs had not been met in the previous year but the substantial increase in student numbers through partnerships meant the original income budget assumption of £157m had increased to £188m. The risk remained on the HLRR but was downgraded to a red rated risk.
- The addition of a further sub-risk within Risk 3 – ‘Failure to manage increased costs and associated loss of income due to cladding remediation work at Petros Court’. The extent of the works and the cost of the works required had increased. Work was continuing to establish the legal position pursuant to the contracts in place including collateral warranties. The CFO stressed that the University remained fully compliant with its Health and Safety obligations and the H&S team continued to work closely with Kent Fire and Rescue Service (KFRS). Hence, the risk was categorised to be a financial as opposed to a compliance risk. Talks with the two landlords were ongoing. A fully costed scheme had yet to be determined

The Vice-Chancellor returned to the meeting.

The CFO stated that a further update would be presented to the Finance and Resources Committee in June. The Director of Estates and Facilities would provide more detail around the financial risks and the estates related implications at that meeting.

[Restricted]

A Governor asked whether there should be a separate category for operational risks.

The CFO confirmed the business continuity group had considered the risk of loss of building access in the context of potential attacks on IT systems risks. Due to risk

mitigation they were not considered red rated risks but were a substantial consideration of Estates and Facilities on a local level. He stated the internal auditors had looked at operational risk management and had made several recommendations. One was a University-wide Risk Management group, that SMT had approved. Initially it would be chaired by the CFO, to improve cohesion and management of operational risks across the organisation.

The CFO noted the red rated risks in the MOSI Risk Register had been downgraded but were still tracked in the local risk register and managed by the project team. The failure to go live on a new student record system in September 2021 continued to have a material impact on fully resolving all student data quality issues.

RESOLVED:

That the following be approved:

- Annual Review of the Risk Management Arrangements (Report of the Vice Chancellor); and
- the Annual Review of the Risk Register.

176. External Audit Plan for year ending 31 July 2022 [Paper 109] [Item 8]

The representative from the External Auditor presented the external audit plan report. He confirmed that there had been very few changes in the year relating to the OfS, no change in the HSE scores and no change in auditing standards. He said by way of a caveat that this did not prevent minor tweaks in future. Two significant risks and key judgement areas were 'Income Recognition' and 'Management Override of Controls'. Additional significant risks in the financial statements to be audited were 'Going Concern and the impact of the Covid Pandemic'; 'Covenant Compliance'; 'Valuation of Assets' (including property and intangible assets); and 'Provisions'. He stated that the University had included £12.5m of provisions in the last financial year and he confirmed that the Finance team were transparent and had done a positive job of sharing information in projections. He stated that judgement will also be considered when auditing the capitalisation and depreciation of fixed assets. He said the audit profession was challenged as the Financial Reporting Council took the view that pension schemes must know exactly what the member institutions' share of the assets and liabilities were; specifically with the Local Government Pension Scheme. The Auditors had requested a copy of the actuarial valuation report by the pension provider for review by their specialist Actuarial Valuations team.

The External Auditor confirmed their independence. He reiterated the Assistant Director of Finance's executive summary that materiality was around £3m or 2% of income. He stated that there were, as yet, no OfS requirements to consider but they would continue to monitor any new releases.

A Governor asked for the timescale of the audit.

The Assistant Director stated that the audit would commence in August 2022, an update would be reported in September and a full audit report provided to the committee at its November meeting.

RESOLVED:

That the External Audit Plan for the year ending 31 July 2022 be approved.

177. Internal Audit Plan 2022/23 [Paper O110] [Item 9]

The representative from the Internal Auditor presented the Internal Audit Plan for 2022/23. This outlined the audit methodology which would follow the usual risk assessment process. The list of recommendations had been presented and approved by SMT. She said there were four reviews which were required to be undertaken in order to provide an annual Head of Internal Audit Opinion:

- Financial controls – Payroll (Part A) and Accounts Receivable (Part B);
- Risk Management – Risk Management Framework and Strategy;
- Governance – MedCo; and
- Data Quality – Student Data.

Two additional internal audits would take place relating to Lessons Learned (SITS Implementation) reviewing the SITS Audits A-C, and Data Privacy and Security as requested at the February Audit Committee meeting. She said the internal strategic plan was linked to the University's high-level risks which were reviewed upon the updated HLRR presented by the CFO.

A Governor asked if the internal audit of Payroll covered IR35 tax requirements and whether it had been reviewed before.

The Assistant Director of Finance stated that it was not covered and that it did not fall under payroll but under accounts payable and was assessed by procurement. She confirmed that she had oversight and had looked at it from a tax perspective.

The Chair inquired if the audit could look at IR35 and the Internal Auditor confirmed that IR35 could be included in the scope of the Payroll audit.

The Chair requested a presentation, similar to the deep dives, around the cyber risk and cyber security systems and management be presented to the committee prior to the internal audit report on cyber security.

The CFO said there had been prior audits on cyber security presented to the committee which resulted in the establishment of the Cyber Security Response Group chaired by the Deputy Vice-Chancellor. The CFO confirmed that it would be beneficial to invite the Director of Digital Strategy and Information Technology to the September Audit Committee meeting to present a deep dive of mitigating cyber security risks.

Action: Internal Auditors to include IR35 into their scope of the Payroll audit.

Action: A deep-dive style presentation on mitigating cyber security risks to be presented at the September Audit Committee meeting.

RESOLVED:

That the Internal Audit Plan 2022/23 be approved.

178. Internal Audit Progress Report 2021/22 [Paper O111] [Item 10]

The internal auditor presented the progress report and confirmed that three reports were finalised:

- 'SITS Part C' (partial assurance with improvements required);
- 'Health and Safety' (significant assurance with minor improvement opportunities); and
- 'Business Continuity' (significant assurance with minor improvement opportunities).

The actions were agreed with management, the field work for financial controls completed and reviewed by management. She stated that surveys had been sent to measure KPIs and continued compliance going forward.

The Assistant Director of Finance clarified that some KPIs from previous surveys remained unanswered as the relevant leads were no longer at the University.

SITS Part C

This was the third audit after the initial two audits in 2021, following up the high-level risks from the previous two audits. It was noted that SITS implementation impacted across the University and consideration was necessary around management of finance and resources dependencies. Only one high priority action had been identified following a dependencies mapping exercise. Non-technology related dependencies such as finance, resource and logistics-based dependencies were recommended to be identified and managed. The audit showed an improvement from the previous year and a positive trajectory.

A Governor asked to what extent the risk rating was anticipated by management.

The Vice-Chancellor stated that there had been much progress in the managing of project risks. That not all risks had been fully mitigated despite progress was acknowledged. There had been a 90% success rate in data migration in module choice and SITS go live which was a positive indicator.

Health and Safety Report

The outcome was very positive with green and amber risks and only minor areas for improvement. There was good practice, led by the H&S team, in identifying risks, producing documentation, supporting compliance across the organisation. A deep dive into the School of Creative Arts and the IT department had been undertaken. There was a need for a consistent application of central policies and procedures across faculties

and departments which has hindered by issues around staff churn as well as pressures on the University during the pandemic.

A Governor acknowledged the increased efforts in terms of engagement and training and asked whether there were noticeable results.

The Assistant Director of Finance said it was positive that there were biannual notices sent to management to inform of staff who had not completed or were due to renew mandatory staff training.

The Vice-Chancellor said that the current mandatory training rate amongst full-time staff was roughly 93% while the majority of those other staff were new and required to undertake training prior to passing their probationary period. Twelve months prior the 'mandatory' training, the rate was 42-43%. To increase training amongst sessional staff management recently decided to mandate training as well as paying for the time taken to undertake the training.

Business Continuity and IT Disaster Recovery

The internal auditor stated the results were mainly positive with minor areas for improvement. The auditors performed a deep dive of the IT and the Marketing and Communications Departments and found numerous examples of good practice. There was a need for greater integration of business continuity across the University for consistency. IT required deeper consideration as it related to the rest of the University and the impact, should there be a business continuity incident where IT resources were concentrated across critical points of the organisation, would be high.

A Governor asked about the policies and procedures documentation and what 'good' would look like.

The internal auditor stated that the University provided a substantial set of papers containing policies and procedures. However, quite a few were out of date and best practice going forward was to ensure documents are reviewed, updated and consolidated where appropriate.

NOTED

179. Internal Audit Recommendations – Management Control Report [Paper O112] [Item 11]

The Assistant Director of Finance presented the report. 33 of the 42 recommended actions across 11 audit reports were open and being progressed. The open actions included 4 that were not yet due for completion. The delays, specifically around IT and Estates & Facilities, were largely due to lack of staff resources. SITS implementation remained the highest priority action and had shown a great deal of progress which had the effect of delaying lower priority actions. There was a high degree of confidence in the actions commencing imminently. The Assistant Director confirmed that 9 actions had been completed despite issues around staffing levels.

A Governor asked what the process was for ensuring actions marked 'completed' were completed.

The Assistant Director said that KPMG provide an expectation of evidence to indicate completion which would be subsequently requested from the action owner in future audits. The evidence was not physically required for the preparation of this report, as management assurance sufficed. She was often present at the committees where actions were completed and she had confidence that the statements of action owners were honest. Follow up internal audits would highlight any actions which were incorrectly marked as complete.

A Governor asked when the outstanding actions were due to be completed and the expected number to be completed by the September Audit Committee meeting.

The Assistant Director stated that the completion dates will revolve around the timetable and she had informed action owners to be mindful of realistic deadlines. She estimated a 50% completion rate by the next committee meeting with the majority centered around SITS. She acknowledged some delays took longer due to lack of staff in specific roles but that all tasks would be completed.

In response to a question from the Chair the Assistant Director said she would consider whether any further refinement of the report could help in reassuring the committee regarding delayed management actions.

A Governor asked whether there were staffing shortages in the Finance department.

The CFO stated his department has been operating with a 7-8% level of vacancy.

NOTED

180. KPI Progress Monitoring Report 2021/22 [Paper O113] [Item 12]

The CFO presented the KPI Progress Monitoring Report 2021/22. He reiterated that the University was in a transition year as the new Strategic Framework was not yet developed and due to be implemented from 1 January 2023. He reminded Governors that the current KPIs were in accordance with the previous Strategic Framework which had expired in 2020 but then extended by two years due to Covid. The world had changed dramatically since then and the KPIs reflected were now somewhat out of step with the University's present context. He highlighted two proposed changes to the targets:

- Student Satisfaction and NSS scores; and
- Staff Satisfaction.

The student satisfaction results were previously around 85% but reduced dramatically in 2021 due to Covid. The previous target of 82% was not considered attainable and he proposed it be reset to 75%, with any further achievement level to be determined within the work being undertaken by the Deputy Vice-Chancellor to develop the new strategic framework.

The CFO said there was a new approach to staff surveys; shorter surveys were undertaken in year and on an annual basis rather than the previous biennial survey. He

suggested the targets would need to be reset as well, due to the pandemic, to 80% from their previous target of 87%.

The CFO said that the University had not fully achieved its targets in the recruitment of students on directly delivered programmes but had increased recruitment of students to courses delivered by partners. He suggested that this will require a reset to the target figure of student recruitments and a consideration of upper limits for students studying with partners.

The CFO proposed the update to the student and staff satisfaction targets with the aim, following development of the new Strategic Framework, to present revised KPIs in November which would underpin performance in 2022/23 and going forward to 2030.

The Vice-Chancellor left the meeting briefly.

A Governor asked whether the updated survey format was a full census or in the form of a mini pulse survey and whether there was continuity from survey to survey.

The CFO stated that pulse surveys had taken place during lockdown to understand staff wellbeing and how staff were adapting to new forms of working. He said the recent staff survey was a short survey which had a deadline of the previous day for responses.

The Vice-Chancellor returned to the meeting.

The CFO stated that the University had switched to an alternative provider when undertaking surveys, which would still provide benchmarking continuity, albeit in a different format. The CFO confirmed the Governor's statement that a higher satisfaction rate was indicative of improving employment practice but noted there were numerous external factors, such as the anxiety around the Ukrainian crisis and the rise in cost of living

The Vice-Chancellor confirmed a higher response rate resulted in a more accurate picture of staff satisfaction and reported that the staff survey response, as of 18 May, was 69%. A £1 donation to one of three charities for every completed survey had incentivized staff to participate. The overall level of satisfaction was anticipated to be lower than the pre-Covid position.

Early indications showed two positive areas of response in the categories "proud to work at the University" and "most days are good days". Areas of concern included "management workload" and "personal and learning development".

The Vice-Chancellor confirmed there would be a more extensive review of the staff survey to coincide with the Strategic Framework presentation at the extended meeting of the Governing Body in June.

RESOLVED:

That the revised KPI targets be approved.

NOTED

181. Department for Education Annual Assurance Report [Paper O114] [Item 13]

The Assistant Director stated the report was due to be presented in February but delayed because the DfE required the University to self-reconcile DfE bursary grants. Work historically completed in November was reviewed by the external auditor in January and the University completed the work in March. The reports were reconciled with no major discrepancies. Her expectation was to complete the annual process this year.

NOTED

182. Minutes of the Meeting of the Data Returns Quality Assurance Group (DRQAG) held on 3 May 2022 [Paper O115] [Item 14]

The CFO presented the minutes of the DRQAG meeting. Arrangements would be made to invite the Chair of the Audit Committee to a future meeting. There were still concerns over some aspects of student data quality which may not be fully resolved until SITS goes live. The group had also considered the risks around increased apprenticeship training and the required returns to the Education and Skills Funding Agency. There was also discussion of the HESA Data Futures requirements.

NOTED

183. Any Other Business [Item 15]

The Chair stated that it was the final Audit Committee meeting for Co-opted Governor Mr Steve Sutton and commented on the positive feedback from Audit Committee Members on the significant contributions he had made over the years.

The Vice-Chancellor thanked the Co-opted Governor for his contributions and thorough oversight throughout his tenure. The Vice-Chancellor reminded committee members there would be a dinner in thanks of those stepping down from the Board and its committees after the Governing Body Meeting on 28 June 2022.

184. Confidential Items

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

The meeting ended at 5.52pm.