

CANTERBURY CHRIST CHURCH UNIVERSITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON MONDAY 13 SEPTEMBER 2021 AT 4.00PM IN THE VERENA HOLMES BOARD ROOM VH3.03

Present: Mr P Fletcher (Chair), Ms S Appleby, Mr S Carey, Mrs P Jones, Mr R Perera and Mr Q Roper

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 E Currie (Governance and Legal Services Assistant)
Ms A Barrington (KPMG)
Mr Hewes (KPMG)

1. Apologies for absence

Apologies for absence had been received from Mr S Sutton

2. Declarations of Interest

There were no declarations of interest.

3. Chairs Communications

The Chair welcomed the new committee members, Mr Steve Carey (independent governor) and Mr Ranil Perera (co-opted member) to the meeting.

4. Minutes of the meeting held on 12 May 2021

The minutes of the meeting held on 12 May 2021 were approved and would be signed as an accurate record of the meeting.

5. Matters arising not appearing elsewhere on the agenda

There were no matters arising.

6. Institutional and Financial Performance Update (oral update)

The Vice-Chancellor reported that the pandemic had presented the University with a challenging but interesting period. It had been the University's priority to provide a high-quality online education when circumstances required it. Since 8 January it had provided a high-quality blended learning experience to students, making use of the new Verena Holmes building where possible. He said that the clear feedback from students was that there was an appetite for more face-to-face on-campus learning, whereas the feedback from staff was more mixed. He noted that certain staff had been working from home since March 2020 and would be apprehensive about returning to campus.

The Vice-Chancellor said that the health and safety of students, staff and visitors remained very important. The University had taken a pragmatic approach to its Covid restrictions; its measures were in line with those in place in other public areas. Attention was still being paid to room capacity and ventilation, and the use of face masks was currently optional.

The first cohort of students had returned the previous week to commence the new academic year and the remaining students were expected from Monday 20 September. Much of the welcome week activity and initial student engagement had taken place outdoors, and weather permitting this would continue.

The Vice-Chancellor said he had been particularly focussed on student recruitment, admissions and clearing activity, which had been exceptionally challenging. Recruitment to undergraduate taught programmes would continue until end of September, and recruitment to postgraduate programmes until October. The Vice-Chancellor reported that against a full-time undergraduate target of 3650, the University expected to recruit circa 3000 students. This shortfall would have a significant impact on income. As had been widely reported in the press, 45% of students had received an A or A* grade at A-level; an increase on previous years. This had directly benefitted Russell Group Universities who had recruited heavily. To illustrate the point, the Vice-Chancellor said that in 2020/21 850 students were admitted to the University via clearing. In 2021/22 this number was expected to be under half of that.

Positively, the Vice-Chancellor said that recruitment to University courses offered by collaborative partners was strong. The Chief Financial Officer had made provision for a recruitment shortfall in the budget. The University was expected to meet its postgraduate recruitment targets, although with a shortfall of circa 100 students for the Post Graduate Certificate in Education (PGCE) programme. Recruitment to secondary teacher training courses was particularly challenging. The Vice-Chancellor confirmed that all possible efforts were being made to maximise student recruitment in the time remaining.

A Governor asked if the shortfall in recruitment to PGCE (especially for secondary teaching) courses was a nation-wide issue. The Vice-Chancellor said it varied by region, with the north-east of the country also seeing a drop in interest in PGCE programmes. Due to the diversification of the University's offering, PGCE now accounted for a much smaller proportion of the University's activity, compared to when he joined eight years ago, at which time such a shortfall would have had a more significant impact.

The Vice-Chancellor reported that the University's registration of new and returning students was underway and 50% of students were currently registered. The University was keen to avoid the problems encountered during student registration activity the previous year. The Vice-Chancellor said that registration was taking place using the old student records system. Although it had been disappointing not to be able to register students in the new student records system (SITS) due to the decision to not 'Go Live' with phase 2 of the Modernising Our Student Information (MOSI) project, he was certain this had been the correct decision in the circumstances.

Going forward, changes would be made to the management of the MOSI project, including a new Senior Responsible Officer (SRO) (the Director of Digital Strategy

and IT - in place), a new Project Director (to be recruited), and a Scrutiny and Oversight Board which the Vice-Chancellor would chair.

The Chair commented that although it was encouraging to know that the Vice-Chancellor was personally involved in ensuring the success of the MOSI project, he was concerned as to whether it was a feasible arrangement in terms of workload. The Vice-Chancellor said that given the retirement of the Deputy Vice-Chancellor at the end of the year it was a necessary arrangement, in order to ensure continuity while the incoming Deputy Vice-Chancellor settled in.

In respect of the Estate Master Plan, the Vice-Chancellor said that it was positive that, discounting the impact of the first national lockdown, the Verena Holmes building had opened on budget and on time. He said that discussions about the roof plant with the Planning Office were ongoing, but the University was committed to finding a solution. He reported that there were two interested buyers for the Broadstairs site. The University was keen to complete the disposal before Christmas.

A Governor asked what creative options the University was undertaking to maximise student recruitment. The Vice-Chancellor said the Alumni network was engaged and advertising activity via radio and other media both locally and nationally was strong. The University was also making use of 'outreach' initiatives in schools and other partnerships. The Vice-Chancellor said the key issues to consider were whether the grade profile had changed permanently and would continue to resemble 2021 results more closely, instead of 2019 results, and how OFQUAL would respond to this. He expected any shift back to 2019 grade profiles would happen gradually.

In terms of the University's financial performance, the Chief Financial Officer (CFO) reported that the management accounts for 2020/21 were better than budget. External Auditor colleagues were currently on site, working on the Consolidated Financial Statements for 2020/21. Importantly, the University had complied with its bank covenants.

The CFO said that he expected the cashflow projections for 2021/22 to be met, even if the sale of the Broadstairs campus and Hall Place did not take place before December 2021, as anticipated. He said that there was a preferred buyer for the Allen and Carey buildings at Broadstairs. Although exchange of contracts was still pending, he remained optimistic that the sale would complete.

The CFO said that a provision had been made in the 2021/22 budget for income shortfall; it was expected that the projected shortfall in student numbers would use most of that provision. However, income from new collaborative partners had not been included in the budget for 2021/22 and future forecasts. Once the impact of both these factors was clearer the forecast for current and future years would be revisited. The Chief Financial Officer said that he was reasonably confident at this stage about the University's financial performance in 2021/22.

The CFO continued that various other factors would need to be considered when forecasting for future years financial performance. These were the impact of deferrals, the compounding impact of lower recruitment in 2021/22, changes to grade profiles, and the Augar review. The Vice-Chancellor agreed that the University's long-term forecasts would need to be revisited.

NOTED

7. **Audit Committee Terms of Reference and Membership 2021/22, Work Plan 2021/22 and Compliance Statement against Terms of Reference 2020/21 [Paper O001]**

The Committee received Paper O001, the Audit Committee Terms of Reference and Membership 2021/22, Work Plan 2021/22 and Compliance Statement against Terms of Reference 2020/21. The University Solicitor and Clerk to the Governing Body (the Clerk) said that the Terms of Reference had been updated to align with the CUC Higher Education Audit Committees Code of Practice. It had also been made explicit that the Audit Committee authority was delegated from the Governing Body, as recommended by the Governance Effectiveness Review. The Clerk said that the compliance statement showed that the University was compliant with its Terms of Reference in 2020/21 with the only elements not met being not required that year.

The Chair said that the Terms of Reference covered the responsibilities of the Audit Committee, however, he had been asked by a Committee Member to clarify the rights of the Committee. He said that on reflection he felt that the important point was the right of the Committee to seek information from the University's Internal and External Auditor as required. The Audit Committee's first action if they felt something required investigation following discussion with the executive would be to ask the Internal or External Auditor to investigate.

RESOLVED:

That the Audit Committee Terms of Reference and Work Plan 2021/22 be approved.

That the Compliance Statement for 2020/21 be noted.

8. **Internal Audit Strategy and Charter 2021/22 [Paper O002]**

The Audit Committee received Paper O002, Internal Audit Strategy and Charter 2021/22. A representative from the Internal Auditor spoke to the paper.

The Internal Auditor said that the plan had been reviewed by the Audit Committee at the May 2021 meeting, and there were no significant changes. The Internal Audit Charter was included for the Committee's approval.

The Chair noted the significant focus on 'SITS Implementation' and noted that intensive work in this area was already underway. The CFO said that Phase C of this review had been pushed to later in the year when it could be more usefully responded to, because the University did not 'Go Live' with the new system in August as planned.

In respect of the proposed review of Business Continuity, a Governor asked if there were any lessons learned that had already been identified. The CFO responded that nationally the sector had learned a great deal about student expectations. He also noted the unprecedented pace of change within Learning and Teaching, and the shift in ways of working for professional services staff. It was hoped that the hybrid approach the University was piloting would capture the best of both approaches while meeting staff and student expectations.

A Governor asked if the decision not to Go Live with MOSI had impacted on Phase B of the SITS implementation Review. The Internal Auditor said it had impacted on the scope of the review, which had expanded. He would report more fully on this review at the November Audit Committee meeting.

RESOLVED:

That the Internal Audit Strategy and Charter 2021/22 be approved.

9. Risk Management: High Level Risk Register Update and Report of the Vice-Chancellor, including revised Risk Management Framework and Risk Appetite Statement [Paper O003]

The Audit Committee received Paper O003, Risk Management Update. The Clerk invited the Committee to approve the revised Risk Management Framework, Risk Appetite Statement and the High-Level Risk Register. The Clerk reported that in addition to the updates to the documents, the paper also touched on the future responsibility for Risk Management.

The Clerk reported that within the Risk Appetite Statement, the Financial Performance and Sustainability appetite had been updated to reflect the terms of the revised loan agreement. The University's appetite for Digital Infrastructure risk had also been split out from Physical Infrastructure, as the University's risk appetite relating to Digital Infrastructure was low, whilst its risk appetite in terms of Physical Infrastructure remained medium.

The Risk Management Framework had been updated to incorporate certain recommendations from the Internal Audit review of Operational Risk Management: to clarify review timings, and to make explicit that the Governing Body had ultimate oversight of risk management.

The Clerk said that no changes had been made to the rating of the seven risks on the High-Level Risk Register, but there had been a various 'progress action to date' updates across the register. The Clerk said that it was proposed the Committee undertake two deep dives into two risks in 2021/22:

- Risk 6: Insufficient capacity and capability to deliver changes necessary to realise strategic plan goals and business as usual; and
- Risk 7: Failure to increase quantity and quality of Research and Knowledge Exchange and Enterprise activity impacted by the pandemic.

Following on from the decision not to Go Live with the SITS rollout, the MOSI project risk register had been included in the paper. The Clerk noted the three outstanding red risks. She said that until recently Data Quality had featured on the High-Level Risk Register, but this had been downgraded to an amber risk in 2020/21. This position would be reevaluated in light of the failure to 'Go Live' in August and following the completion of the University's Higher Education Statistics Agency (HESA) statutory return in mid-September.

In terms of the responsibility for risk management, the Clerk said that the Internal Audit had drawn out some areas for improvement, that, whilst helpful, were not feasible for her team to achieve given their limited resources. This would be considered further by the Senior Management Team (SMT).

The Chair noted the low appetite for Digital Infrastructure risk, and asked if this was influenced by cyber security attacks on the Higher Education Sector. The Vice-Chancellor said that certain universities had been hugely affected by 'cyber attacks', and there had been several very high-profile examples. The risk of a breach in cyber security had spread across the sector in recent years and the Vice-Chancellor said that it would be a focus for the new Director of Digital Strategy and IT.

A Governor asked if the University ought to have the risk of a return of the Covid pandemic, or an entirely new pandemic, on its High-Level Risk Register. The Vice-Chancellor agreed that this would need further reflection, and that the risk of the pandemic had certainly not passed. The Vice-Chancellor said it might be expressed as part of a wider Mental Health and Wellbeing risk. He said that the University had experienced a relatively low number of Covid cases amongst its staff and students, with only one hospitalisation. The Chair asked if there was good take up of the vaccine at the University. The Vice-Chancellor said he believed there was, but this could not be officially verified. There had been discussions about mandatory vaccination, but it had been decided that this was not the appropriate route for the University. The Clerk noted that a spike in covid cases was recorded in the High-Level Risk Register as an Early Warning Indicator within Risk 6, 'Insufficient capacity and capability to deliver changes necessary to realise strategic plan goals and business as usual'.

A Governor queried whether the monthly review of Red risks, recommended in the Framework, was sufficient. The Vice-Chancellor said that the very high level (red or black) risks were under constant scrutiny from relevant SMT members, through both formal and informal channels. The CFO said that at a project level monthly risk management did take place, via the appropriate working groups.

RESOLVED:

**That the Risk Management Framework, Risk Appetite Statement and High-Level Risk Register be recommended to the Governing Body for approval.
That the 'deep dives' into Risks 6 and 7 be approved.**

10. Internal Audit Progress Report [Paper O004]

The Audit Committee received Paper O004, Internal Audit Progress Report. The Internal Auditor said that three reviews from the 2020/21 schedule and one review from the 2021/22 schedule had been completed. Following completion of the 2020/21 schedule of reviews, he expected that the Head of Internal Audit Opinion for 2020/21 would be significant assurance with minor improvement opportunities.

The reviews that had been completed were:

- Capital Asset Management – Significant assurance with minor improvements (Amber/Green rated)
The Internal Auditor noted that many examples of good practice were found. There was only one medium priority recommendation relating to the annual Asset Verification Exercise, which had not been possible in 2020 due to the pandemic. The Assistant Director of Finance noted that a review of progress against the Asset Security Review had taken place as part of this review. She said that the University had received a full

insurance pay-out and victims' compensation for the piece of equipment stolen in 2019, which had prompted the initial review.

- Procurement – Partial Assurance with improvements required (Amber/Red rated)

The Internal Auditor said that the review had highlighted that whilst central procurement controls were good, in areas where procurement was devolved compliance with the University's policies and framework was inconsistent. This was consistent with findings across the sector. The Internal Auditor said there was also a need to be consistent with the documentation of tender exemptions. The CFO explained that various factors had led to the particularly high use of tender exemptions in 2020/21: supply chain disruption due to the Covid-19 pandemic and Brexit, the urgency to finish construction and fit-out of the Verena Holmes building, and staff short time working. He said that in addition to this, there was an accumulation of small contracts that ought to have been re-tendered regularly, but had been allowed to roll over. He noted that the procurement team was under-resourced. The Chair asked if the Amber/Red rating was typical of the sector. The Internal Audit said that larger, Russell Group Universities had larger, more resilient procurement teams so were better equipped to withstand the challenges that had faced the sector. The CFO also highlighted the 'use it or lose it' nature of certain grant funding, for example SELEP funding, where he was obliged to use tender exemptions to avoid the expiry of the opportunity to use the funding.

- Operational Risk Management – Amber/Green

The Internal Auditor reported that there were clear opportunities for improvement in this area. Three areas had been considered as part of the review: the Risk Management Framework and associated processes, analysis of local registers; and soft controls. There were pockets of inconsistency in certain departments and faculties which would need to be addressed. The Internal Auditor reported that the results of the soft control exercise were generally positive in terms of approach and attitude towards risk management, but enforcement was a weak area. The Clerk commented that although she had agreed with the recommendations, there was a limit to what was achievable with the available resources. A Governor asked if Risk Management should be used as a management planning tool. The Internal Auditor agreed that it could be more dynamic if approached in this way. The Vice-Chancellor said that the approach to, and responsibility for Risk Management would be considered by SMT.

- SITS Implementation (Phase A) – Amber/Red

The Internal Auditor said that this was the first of three reviews of SITS Implementation, and that it consisted of a deep dive into the project plan and associated risks. Many of the recommendations related to risk management. The CFO said the review had been very helpful and the recommendations were being swiftly taken forward under the new governance arrangements. The Vice-Chancellor noted that the new SRO and Project Manager would find the review instructive. The Chair remarked that the review contained some hard but valuable messages. The CFO said that feedback from the Internal Auditor had been that the University's experience of implementing a new student records system was not dissimilar to others in the sector.

NOTED

11. Internal Audit Recommendations – Management Control Report [Paper O005]

The Audit Committee received Paper O005, the Internal Audit Recommendations - Management Control Report. The Assistant Director of Finance said that various factors had impacted on the completion of actions over the past year including Covid-19, work from home, and short time working. She reported that 18 actions had overrun their target date, four of which were due to interdependencies with the implementation of SITS. Seven actions had been completed since the last report. The Assistant Director of Finance noted that usually the summer period saw greater progress. For this reason, she would bring forward the next review date, from February to November. She planned to report on this orally to the Audit Committee. The Chair endorsed this approach.

NOTED

12. Annual Statement of the Office of the Independent Adjudicator (OIA) [Paper O006]

The Audit Committee received Paper O006, the Annual Statement of the Office of the Independent Adjudicator (the OIA). The Clerk said that the OIA was the ombudsman for higher education, and each year it published reports on its interactions with HEIs, which were benchmarked with competitor groups. The Clerk noted that there had been a trend towards students being more litigious and making use of group complaints. It was noted that in terms of a group complaint, each member of that group counted as an individual complaint for the purposes of the OIA reporting. The OIA was considering its approach to group complaints.

The University had issued 12 Completion of Procedures (COP) letters in 2020, an increase from 5 in 2019. The OIA required students to have a COP letter in order to pursue a complaint with the OIA. The OIA had received 15 complaints about the University in 2020, which was an increase from four in 2019. The band median was 14.5, so the University was above average, although it was noted that 10 of the recorded complaints were part of a group complaint (one issue).

The Vice-Chancellor said that there had been an internal audit review of the University's complaints management processes in 2018. More recently, a cultural change hastened by the pandemic had seen students behaving in a more litigious manner and requesting large financial settlements. The University always tried to do the right thing by its students but would not capitulate to unreasonable requests. It was unfortunate that group complaints skewed the data.

The University's handling of complaints had been discussed by SMT. The Vice-Chancellor and Clerk would consider the best way to manage complaints going forward, and the potential implication on resources if complaint numbers rose further. A 'lessons learned' paper would also be produced.

NOTED

13. Minutes of the Meetings of the Data Returns Quality Assurance Group (DRQAG) held on 6 May 2021 and 19 July 2021 [Paper O007]

The Audit Committee received Paper O007, minutes of the meetings of the Data Returns Quality Assurance Group held on 6 May 2021 and 19 July 2021. The CFO said that the purpose of the group was to oversee controls on external data returns to HESA, the Office for Students (OfS), Research England and other bodies. A sub-group focusing specifically on HESA returns was chaired by the Assistant Director of Finance. The CFO advised that at present the Audit Committee was still only able to give partial assurance over the University's student data quality. He noted that the Data Quality risk that had appeared on the High-Level Risk Register in 2020/21 had been downgraded following the approval of the Data Quality Action Plan in response to the OfS data quality audit. This had, however, been contingent on Go Live of phase 2 of the MOSI project, which had not taken place. As previously referred to by the Clerk (Item 9 refers) further consideration of the rating of this risk would take place.

In terms of preparation for the HESA return for the 15 September, although certain information was reliable, such as funding information, areas of weakness had been identified, for example student characteristics.

The CFO said that DRQAG would continue to meet, and the Chair of Audit Committee would continue to attend one meeting per year.

NOTED

14. Any Other Business

There was no other business.

NOTED

15. Confidentiality

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

16. Date of next meeting

The next meeting would take place on Monday 8 November 2021 at 4pm

The meeting ended at 5.58pm