

# CANTERBURY CHRIST CHURCH UNIVERSITY

## MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON WEDNESDAY 28 SEPTEMBER 2022 AT 4.00PM IN THE VERENA HOLMES BOARD ROOM VH3.03 and VIA MICROSOFT TEAMS

**Present:** Mr C Stevens (Chair), Ms S Appleby, Mrs A Newey, Mr Q Roper, and Mr J Stockwell.

**In attendance:** Ms S Cockrill (Director of IT & Digital Strategy) [minutes 1-6 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 N Theisen (Governance and Legal Services Assistant)  
Ms H Andrews (KPMG)\* [minutes 1 – 9 only]  
Ms A Barrington (KPMG)\* [minutes 1-13 only]

\*Remote attendance via Teams

### 1. Apologies for absence

Apologies for absence had been received from Mr S Carey and Mrs P Jones.

### 2. Declarations of Interest

There were no declarations of interest.

### 3. Chairs Communications

The Chair welcomed the new committee members, Mrs Angela Newey and Mr Jeremy Stockwell. He said that Mrs Newey would commence her term as Chair of the Audit Committee when he returned to the Finance and Resources Committee as Chair on 1 October.

### 4. Minutes of the meeting held on 19 May 2022

The minutes of the meeting held on 19 May 2022 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. Cyber Security – Deep Dive

The Chair welcomed the Director of IT and Digital Strategy (Director of IT & DS) to the meeting. The Director of IT & DS said that as demonstrated in the paper that had been circulated, the University had a good technical response to cyber security risks. She said that cyber security had only emerged as a risk for HEIs in recent years. In the previous three years there had been severe attacks on various

other HEIs, resulting in their servers being impacted for between 5 and 12 months. In light of this, it was important to take the risk seriously.

The Director of IT & DS said that it was tricky to find the right balance of mitigations against cyber security threats, as it was a constantly evolving area, and there would always be more that could be done. It was important that it did not become an unmanageable investment. [Restricted]

The Director of IT & DS acknowledged that within the Higher Education sector it was impossible to entirely remove any cyber threats due to the nature of its activity. It was essential, for example, that students could access the University network from their own devices, and that academic freedoms be maintained.

A key area of focus in the short term would be further training for staff and students on their responsibilities for ensuring cyber security. In particular, training would focus on identifying phishing emails, which could be extremely sophisticated. It was acknowledged that non-observance of cyber security measures by staff or students, inadvertent or otherwise, posed the greatest risk to the University in terms of its cyber security.

A review of the University's contract for detection and monitoring software was due to ensure excellent value for money services was provided.

The University had established a Cyber Security Response Group, chaired by the Deputy Vice-Chancellor, to consider the University's response in the event of a significant cyber-attack. The impact of any such attack would not be limited to IT services and so the group considered the wider implications such as security concerns arising from being unable to secure doors, and how the University would operate if it was unable to use email. She reflected that such an attack was regarded as an inevitability rather than a possibility.

The University's IT support arrangements were to be provided on a 24/7 basis rather than only during business hours.

The Vice-Chancellor said that he was aware of circa 12 significant attacks on other universities. These had been extremely serious. He said that the Director of IT & DS used her professional network to share best practice with other IT Directors. It was, however, not possible to have a fool proof system.

The Chair said that it was vital that the University worked to improve the current mandatory cyber security training courses completion rates. The rate should be close to 100%.

A Governor said that the Governing Body should consider training to improve its own cyber security. The University Solicitor and Clerk to the Governing Body (the Clerk) confirmed that arrangements for sharing papers with the Governing Body had been amended to reduce the cyber security risk. Cyber Security e-learning was available to all Governors.

The Internal Auditor confirmed that it had audited the University's cyber security arrangements. The review was undertaken by a separate team of specialists. The Chief Financial Officer (CFO) confirmed that improvements had been made since the previous internal audit review.

The Chair asked that the Committee review the University's cyber security risk periodically. The Chair thanked the Director of IT & DS.

**NOTED.**

*Action: Schedule a periodic review of cyber security arrangements by the Audit Committee.*

**The Director of IT & DS left the meeting.**

**7. Institutional and Financial Performance Update [Paper P001]**

The CFO reported that 2021/22 had been a good year financially, with a provisional operating surplus of £9.4m, subject to audit. The 2021/22 financial performance included a provision for an exceptional payment to staff, subject to Governing Body approval.

The disposal of both Hall Place and the Broadstairs campus had concluded the Estate Master Plan.

The forecast from 2022/23 was potentially more challenging. The previous forecast provided in January 2022 had been largely positive, with various areas of income growth projected. It would now be necessary to consider further the impact of the cost of living crisis and other inflationary pressures and to revisit income growth assumptions. The financial forecasts would be required for submission to the OfS and to support a decision for the amount to be drawn down from the revolving credit facility (RCF) into an amortising loan. This would need to be decided in January 2023.

In the medium term the economic climate was turbulent. An updated financial strategy would be provided to the Finance and Resources Committee in March to underpin priorities and ambitions within the new Strategic Framework (Vision 2030).

The Vice-Chancellor said that the Higher Education Policy of the new Government remained unknown. There had been no clear policy direction since the Augar Review in 2018. The Vice-Chancellor had spoken at both the Labour Party and Conservative Party conferences, to put higher education back on the national agenda.

The Chair asked what the timeline would be for the financial forecasts. The CFO said that an update would be provided to the November Finance and Resources Committee. The Financial Forecasts for the OfS would be presented for approval at the November Governing Body meeting. The CFO said at that point he would have the first quarter financial results to underpin the forecasts, along with student numbers compared to target for the first quarter of 2022/23. The forecasts would be revised and represented in late January with updated projections for future years' student numbers, revisions to cost projections and then used to support a decision on the amount of loan to be drawn down from the RCF.

[Restricted]

In response to a question from a Governor, the CFO confirmed that he would not have a clear view of the impact of inflation or rising interest rates until the

external economic environment became more stable. He would need to take into account updated forecasts for student numbers to predict more accurately future years' income projections. These would also be informed by the external analysis of the University's programmes and opportunities, which the University had commissioned. He acknowledged that the HE sector environment had been uncertain for the past six years and remains so for the foreseeable future.

#### **NOTED**

#### **8. Audit Committee Terms of Reference and Membership 2022/23, Work Plan 2022/23 and Compliance Statement against Terms of Reference 2021/22 [Paper P002]**

The Committee received Paper P002, the Audit Committee Terms of Reference and Membership 2022/23, Work Plan 2022/23 and Compliance Statement against Terms of Reference 2021/22. The Clerk said that there were no material changes to the Terms of Reference, and that the proposed Work Plan would guide the Committee's activity over the academic year. The Committee was obliged to consider its compliance with its Terms of Reference on a yearly basis. The compliance exercise showed it had been compliant. The only terms not addressed were not required in that year.

#### **RESOLVED:**

That the Audit Committee Terms of Reference and Work Plan 2022/23 be approved.

That the Compliance Statement for 2021/22 be noted.

#### **9. Draft Internal Audit Annual Report [Paper P003]**

The Audit Committee received Paper P003, Draft Internal Audit Annual Report. The Internal Auditor Partner said that the report was a summary of activity over the 2021/22 academic year. She reported the Head of Internal Audit opinion was Amber-Green, 'significant assurance with minor improvement opportunities'. This positive rating was awarded notwithstanding the amber-red reviews relating to the new student record system (SITS) because progress against actions had been evidenced in year.

The Internal Audit Partner said that this would be the final Head of Internal Audit Opinion that KPMG would provide, as this was no longer required by the regulator. The approach the Internal Auditor would take going forward was set out in the report.

For the benefit of new Committee Members, the Vice-Chancellor summarised the background to the SITS reviews. He said that three reviews had been requested by the University after the project failed to 'go live' in August 2021. The new student record system had successfully gone live in the summer of 2022 and a number of remaining issues were being worked through.

The Chair asked if the University's Amber-Green rating was typical of the Higher Education sector. The Internal Audit Partner confirmed that this was typical of the sector. The University's request to have SITS reviews demonstrated that auditors have been invited to look at areas of difficulty as a means of supporting management and providing assurance to the Audit Committee.

A Governor asked if the Amber-Green rating took into account the rate of progress against actions. The Internal Audit partner confirmed that this was the case. In particular, she noted that the University had closed down four of its five high priority actions, and that the majority of overdue actions were low priority.

**RESOLVED:**

That the Internal Audit Annual Report 21/22 be approved.

**The Internal Audit Partner (HA) left the meeting.**

**10. Internal Audit Strategy 22/23 [Paper P004]**

The Audit Committee received Paper P004, Internal Audit Strategy 22/23. A representative from the Internal Auditor spoke to the paper. The Internal Auditor said that a draft version of the plan had been considered and approved at the May Committee meeting. The only significant change since that approval was the addition of the review of Student Accommodation. This had been inserted to support the University in assessing its compliance with the UUK Student Accommodation code, which it was required to confirm every three years. This would be due on 30 April 2023. All other reviews were as seen in May, although the timings of some had changed to align with institutional priorities.

A Governor asked about the scope of the review of Student Accommodation, and if it would consider the quality of the University's portfolio. The Internal Auditor confirmed that the review would consider health and safety, communications, signage, and environmental concerns. It would be a standard compliance review.

**RESOLVED:**

That the Internal Audit Strategy 2022/23 be approved.

**11. Anti-Bribery Policy Refresh [Paper P005]**

The Audit Committee received Paper P005, Anti-Bribery Policy Refresh. The Clerk to the Governing Body said that the Policy had been approved by the Audit Committee in 2019. It was scheduled for review every three years. There had been no significant legislative changes since 2019 therefore the update was primarily to clarify and streamline the policy. She reported that the policy had been reviewed by an external solicitor. Anti-Bribery training was mandatory for new staff, with certain high-risk areas receiving targeted training.

A Governor asked for clarification regarding clause 4.5: "You must disregard any local custom or practice outside the UK unless allowed or mandated by the written law applicable to the country where the function or activity occurs". He said that he would have expected UK customs to be adhered to unless local customs were more stringent.

It was agreed that the wording of clause 4.5 would be amended to reflect this point, which had been the intended interpretation. The Clerk said that any variation in local customs would be considered on a case-by-case basis.

**RESOLVED:**

That the Anti-Bribery Policy be approved, subject to the amendment to clause 4.5.

## **12. Risk Management: High Level Risk Register Update and Report of the Vice-Chancellor, including revised Risk Management Framework and Risk Appetite Statement for 2022/23 [Paper P006]**

The Audit Committee received Paper P006, Risk Management Update. The CFO reminded the Committee that ownership of Risk Management had moved from Governance & Legal Services into the Finance Directorate. This would enable a more embedded view and consideration of risk within business planning processes. The Assistant Director of Finance -Financial Accounting would have a compliance responsibility and also for the follow up and reporting of measures set out in local registers and the institution's high level risk register. The CFO reported that the University had appointed a member of staff on a one-year contract to support the University's introduction of a revised risk management framework, along with the implementation of new systems and processes.

The CFO said that the High-Level risks identified within the High-Level Risk Register remained largely appropriate. They would be revisited to ensure the risks remained relevant under the new Framework, with an updated Risk Appetite Statement to be aligned with the new Financial Strategy.

The CFO highlighted three areas of ongoing risk: Data Quality, Institutional Capacity, and Student Accommodation.

The CFO reported that the new student record system had launched successfully. However, certain processes still needed to be fully embedded before the benefit would be fully realised. He said that this year should be considered as 'Year 0' not 'Year 1' and that achieving full assurance on the quality of student data was a journey. The Data Assurance Report that would come to the November Audit Committee meeting would cover this in more detail.

In terms of institutional capacity to recruit and retain staff, the CFO said that staff shortages in certain areas had had a noticeable impact on the ability to progress developments and improvements, including some Internal Audit actions.

The CFO reported that immediate remedial works were required at Petros Court student accommodation, which was a leased building. A £4.5 million provision had been made in the 2021/22 accounts, but there remained an acute financial risk due to the rising costs of labour and materials through higher rates of inflation. Despite the costs, the Health and Safety risk was too high a priority to delay commencement of the works. The Vice-Chancellor confirmed that the University was fully engaged with Kent Fire & Rescue Services in relation to maintenance of appropriate mitigations.

The Committee agreed that this was a high priority. Discussions were ongoing as to options to recoup costs, through all available legal avenues. [Restricted]

The CFO said that the preferred scheme would cost up to £9m with costs spread over two financial years. The work schedule would indicate a 66 week programme works, with taller blocks remediated as the first priority. The Vice-

Chancellor said that the health and safety of students was of paramount importance so works could not be delayed.

[Restricted]

In response to a question from a Committee Member, it was confirmed that the KPMG report on student accommodation would include the situation at Petros Court, specifically the fire safety mitigations in place. The CFO said that all the proposed mitigations had been accepted by the Estates & Facilities team, but it would be necessary to ensure this was operationalised day-to-day. There was some anecdotal evidence that mitigations may not yet be fully embedded.

The Chair asked what the approval process would be for the new Risk Appetite Framework. The Vice-Chancellor said that the Strategic Framework would be approved at the November Governing Body meeting. Following that, an update on Risk Management activities, including a refreshed Risk Appetite Statement would come to the February Audit Committee meeting prior to approval at the March Governing Body meeting, alongside the revised KPIs.

**NOTED**

### **13. Internal Audit Progress Report [Paper P006]**

The Audit Committee received Paper P006, Internal Audit Progress Report. The Internal Auditor said that two reviews had been undertaken since the previous Audit Committee meeting. The Borrowing and Treasury Management (Financial Controls) review concluded the 2021/22 suite of reviews and the Payroll and IR35 Review was the first of the 2022/23 reviews.

- Borrowing and Treasury Management had received a Green rating (significant assurance). The Internal Auditor said that it was rare to award a significant assurance rating, and that this reflected the work undertaken to put in place robust controls and processes. There was one low priority recommendation regarding the document retention policy's impact on long term loan paperwork.
- Payroll and IR35 had received an Amber-Green rating (significant assurance with minor improvement opportunities). The inclusion of IR35 in the review was at the express request of the Audit Committee. However, the reversal of IR-35 reforms announced in the September 2022 mini-budget had changed the landscape of the review, and not all recommendations would need to be actioned. The Internal Auditor would work with the University to close down those that were no longer relevant. Nevertheless, in terms of payroll, the Internal Auditor reported that there were well designed processes in place, which would need to be applied consistently.

A Governor asked when the University had last received a PAYE inspection. The Assistant Director of Finance – Financial Accounting said this was more than 10 years ago. There had been a VAT review in 2012 connected to the University hosting athletes for the Olympic Games. The University was generally very responsive to HMRC and raised no red flags. A review of the Students Union in 2016 had revealed no major findings.

**NOTED**

#### **14. Internal Audit Recommendations – Management Control Report [Paper P008]**

The Audit Committee received Paper P008, the Internal Audit Recommendations – Management Control Report. The Assistant Director of Finance – Financial Accounting said that efforts were focussed on high level recommendations. 12 recommendations had been marked as completed; of these there were four high level recommendations related to SITS. Two high level SITS recommendations had been delayed. Notwithstanding this, the Assistant Director of Finance – Financial Accounting was confident that progress was being made. She said that the project team was being extremely diligent, and proactive, ensuring that the appropriate evidence was supplied.

She reported that it was a busy time of year for many areas of the University, and this impacted on the responsiveness of teams to her requests for updates. She was nevertheless confident that progress was being made. The Internal Auditor said that in the HE sector there was often an uptick in delayed actions in September, due to staff taking annual leave in the summer, and returning to a busy period in September.

The Assistant Director of Finance – Financial Accounting confirmed that she followed up on all recommendations, not just those that were due. There had been some negative impact on progress because of the high rate of staff turnover, but she was confident this was beginning to settle down. The next Management Control Report would come to the February Committee meeting.

A Governor asked if 46 recommendations was within normal range. The Assistant Director of Finance – Financial Accounting said that this was higher than normal due to the recommendations from the three reviews of SITS undertaken in 2021/22. The CFO said that the University intentionally requested reviews of challenging areas, such as SITS. SITS had gone live in the summer but it would take some further time to embed processes. His view was that all recommendations could be closed down in year.

**NOTED**

#### **15. Annual Statement of the Office of the Independent Adjudicator (OIA) [Paper P009]**

The Audit Committee received Paper P009, the Annual Statement of the Office of the Independent Adjudicator (the OIA). The Clerk explained, for the benefit of new Members, that the OIA was the complaints ombuds service for Higher Education, and students could only appeal to the OIA once they had exhausted the University's complaints procedures. The University consistently reported lower than average numbers of Completion of Procedure (COP) letters. In the report for 2021 the University measured below the band median for issuing COP letters. Overall, 70% of cases escalated to the OIA were not upheld.

The Clerk said that the University already had a culture of seeking early resolution. A new Directorate of Student Resolutions and Student Protection had been established that would address the need for greater focus on early resolution and improvements in student case handling. The new Directorate would have responsibility for the handling of student complaints, so future reports would be prepared by the new Director. It was hoped that further improvements in student case handling would continue to be seen.



The Chair commented that the number of complaints to the OIA was remarkably low. The Clerk agreed and said that this was due to the work of staff to ensure early resolution to complaints.

The Chair asked about the scope of complaints, and if it was purely academic. The Vice-Chancellor said the complaint could be about any services provided by the University, for example, teaching, academic appeals, accommodation or other infrastructure. The University worked to resolve complaints early, quickly and locally. He said that it was preferable to resolve a complaint before it reached the Vice-Chancellor (final) stage, as it was unsustainable for the Vice-Chancellor to personally manage that volume of complaints. However, it was, he acknowledged, an important insight into the lived experience of students.

A Governor noted their surprise at the number of complaints that reached the Vice-Chancellor stage. The Vice-Chancellor said that complaints had risen in line with a cultural shift, underpinned by Government and Students Union encouragement to pursue complaints. Another Governor said that in comparison to the complaints volume they had experienced in other sectors, the University had a very low number.

A Governor asked if the OIA Report was published. The Vice-Chancellor confirmed that it was, but that it unfortunately did not impact on league tables.

**NOTED**

**16. Minutes of the Meeting of the Data Returns Quality Assurance Group (DRQAG) held on 18 July 2022 [Paper P010]**

The Audit Committee received Paper P010, minutes of the meeting of the DRQAG held on 18 July 2022. For the benefit of new Members, the CFO said that the minutes from the Group are summarised within the Data Assurance Annual Report which would be presented to the Audit Committee at its November meeting. DRQAG is supported through a sub-group, the HESA Returns Integrity Group (HESARIG), which is chaired by the Assistant Director of Finance – Financial Accounting. The group's remit is to provide assurance over the quality of returns to HESA related to Finance, Student, Staff and Estates data. The key area of concern remained student data quality. The CFO said that, by custom, the Chair of the Audit Committee is invited to attend one meeting of DRQAG per year. This was usually the meeting held in January and he said an invitation would be extended to the incoming Chair to attend.

**NOTED**

**The Internal Auditor left the meeting.**

**17. Any Other Business**

[Restricted]

The Committee thanked the Chair for his leadership since February.

**18. Confidentiality**

Several matters were to be kept confidential from the published minutes, at minutes 6, 7, 12 and 17.

**19. Date of next meeting**

The next meeting would take place on Monday 14 November 2022 at 4pm

The meeting ended at 5.55pm