

# CANTERBURY CHRIST CHURCH UNIVERSITY

## MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON MONDAY 14 NOVEMBER 2022 AT 4.00PM IN VH3.03 (VERENA HOLMES BOARD ROOM)

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

**In attendance:** Mr D Leah (Director of Finance & Chief Financial Officer)  
Mrs K Pilgrim (Assistant Director of Finance – Financial Accounting)  
Ms A Sear (Clerk to the Governing Body)  
Professor R Thirunamachandran (Vice-Chancellor)  
Ms A Barrington (KPMG) (minute 53-59)  
Mr R Bott (Mazars) (minute 53-70)  
Mr G Gorvett (Mazars) (minute 53-70)  
Ms E Currie (Governance and Legal Services Officer)

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

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

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

There were no declarations of interest for the meeting of the Audit Committee.

### **55. Minutes of the meeting held on 28 September 2022 [Item 3]**

The minutes of the meeting held on 28 September 2022 were approved and signed as an accurate record of the meeting.

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

There were no matters arising.

### **57. Chairs Communications**

The Chair said that she and J Stockwell had attended a financial induction session provided by the Chief Financial Officer (CFO) and his team on 9 November, which had been very helpful.

### **58. Institutional and Financial Performance Update [Item 5]**

The Audit Committee received the Institutional and Financial Performance Update [Paper P035]. The CFO said that the positive September financial results reflected the successful recruitment by the University's collaborative partnerships. However, new and returning home student number targets had not been met. A Student Enrolment paper for the 2022/23 intake would be presented to the Governing Body at its meeting on 29 November.

The finalised student numbers would support the production of the OfS financial forecasts, which would also be presented to the Governing Body for approval on 29 November. The CFO said that the draft version of the financial forecasts

demonstrated an increase in income and operational surplus, which had underpinned the 'going concern' opinion of the External Auditor. Additionally, it was very positive in terms of the headroom in relation to the lenders' covenant requirements.

A detailed update on the situation with the urgently required remedial works at Petros Court had been provided to the Finance and Resources Committee and the Chairs Committee on 9 November. Health and Safety mitigation measures were in place, and a Letter of Intent had been issued to the main contractor. The Finance and Resources Committee's decisions regarding the ongoing discussions with the landlords was discussed. Committee members were invited to share their views on financing approaches for the remedial works with the Vice-Chancellor and CFO following the meeting.

**NOTED**

#### **59. Internal Audit Progress Report 2022/23 [Item 6]**

The Audit Committee received the Internal Audit Progress Report [Paper P036]. Although it was early in the year good progress had been made against the programme of reviews and the fieldwork for the Governance: Medco review was already complete.

A representative from the Internal Auditor highlighted the benchmarking data which had been provided to the Committee. She said that in 2021/22 the Head of Internal Audit opinion had been Amber-Green (Significant assurance with minor improvement opportunities) for 84% of KPMG's Higher Education clients, including the University.

**NOTED**

*The Internal Auditor left the meeting.*

#### **60. Data Assurance Annual Report 2021/22 [Item 7]**

The Audit Committee received the Data Assurance Annual Report 2021/22 (Paper P037). The report provided assurance on the integrity of the HESA return and other external data returns that the University was required to make. The report drew on the work of the Data Returns Quality Assurance group (DRQAG) and its sub-group, HESA Returns Integrity Group (HESARIG). To provide ongoing assurance the DRQAG minutes were reported to the Audit Committee, and, as was customary, the Chair of Audit Committee attended the January DRQAG meeting.

Further assurance had been provided by the Internal Audit reviews completed in year, which did not raise any particular concerns relating to data quality. In addition, three reviews of the implementation of the new student record system SITS, had been specifically requested by the University.

In terms of the Data Quality Action Plan, which had been agreed with the OfS in 2020, a number of actions had been dependent on the 'Go Live' of SITS, which had been achieved by the start of the current academic year. The current academic year would be considered 'year zero' in terms of the use of SITS, and

progress against the outstanding actions would need to be demonstrated before the opinion on the integrity of student data could be improved.

Ongoing problems had been encountered regarding validating non-financial data at the point of entry. The University was trialling new software, IntoZetta, that would generate workflows that promptly identified data errors and assigned them directly to the data owner for correction. Accurate data was vital to support essential processes such as the creation of student timetables, and the receipt of student loans. It was expected that the software would enable dashboard reporting to be included in future reports.

The CFO provided an update on an emerging problem with staff data quality, which while less significant than the student data quality issues needed to be addressed. Certain staff were not classified in the correct cost centre, which created the impression of a disconnect between the number of students enrolled on a programme and the staff resources assigned to that programme. It was important that this was addressed in order to report data to the Higher Education Statistics Agency (HESA) accurately.

In response to a question from the Chair, the CFO said that the growth in student numbers at the University's collaborative partners put pressure on the work to improve data quality which was already a high risk area for the University. Nevertheless, the improved digital infrastructure would enable interventions on data that would have the maximum impact on data quality and league tables, for example on student characteristics information.

In response to a question from a Committee member about the possibility of OfS enquiries, the CFO said that following the HEFCE audit, the University had been reporting to the regulator against the data quality action plan. The OfS had been satisfied that the University had made all progress that was possible prior to the 'Go Live' of SITS. A further audit was not scheduled, but was possible given the growth in student numbers and the 'Go Live' of SITS. The £1million clawback provision held in response to the HEFCE audit had been reduced to £500k in 2020/21, reflecting the reduced risk due to the assurance the University had provided regarding module outcomes and funding computations. Improved data quality had, in fact, previously revealed that the University had under-claimed rather than over-claimed OfS funding.

The CFO said that in terms of partner student data, the University was somewhat reliant on its partners to report accurately. It was currently a cumbersome process, involving various manual interventions. It was hoped that this would improve as the University implemented further SITS modules.

Although the accuracy of data was important in terms of funding and financial sustainability, the higher risk was to business intelligence and the University's reputation and relationship with HESA and the OfS.

The opinion on data quality within the report was included in the draft Annual Report of the Audit Committee (Agenda Item 9 refers).

**RESOLVED:**

To approve the Data Assurance Annual Report, and the opinion on data quality included within, for 2021/22.

## **61. Modern Slavery and Human Trafficking Statement 2021/22 [Item 8]**

The Audit Committee considered the Modern Slavery and Human Trafficking Statement 2021/22 [Paper P038]. The statement was required by the Modern Slavery Act 2015 for inclusion in the Financial Statements and publication on the University's website. The statement was developed by the Sustainability Strategic Management Group, chaired by the Senior Pro Vice-Chancellor. The Statement would be presented to the Governing Body on 29 November 2022 for approval and sign-off by the Vice-Chancellor.

The Assistant Director of Finance [Financial Accounting] reported that the Statement had been strengthened by the inclusion of KPIs monitored by the Procurement Team, and staff training information, in line with Government guidance.

### **RESOLVED:**

To recommend the statement to the Governing Body for approval.

## **62. Draft Annual Report of the Audit Committee 2021/22 [Item 9]**

The Audit Committee considered the Draft Annual Report of the Audit Committee 2021/22 [Paper P039].

The CFO said the report was a stewardship report which summarised of the work of the Audit Committee over the 2021/22 academic year and would be presented to the Governing Body on behalf of the Audit Committee. Appreciation had been recorded within the report for Philip Fletcher, who had sadly passed away in February 2022, and had been the Chair of the Audit Committee until January 2022.

The report drew on the work of the Internal and External Auditor. The opinion on data quality expressed within the report was derived from the Data Assurance Annual Report [Paper P037].

The Risk Management Framework and the Governor Sub-set KPIs would be refreshed in 2023 to align with the new Strategic Framework, Vision 2030.

The Committee noted that the BDO training had taken place on 4 October, not September, and had also been attended by Mr Jeremy Stockwell and Canon Dr Quentin Roper. The report would be amended accordingly prior to submission to the Governing Body.

### **RESOLVED:**

That the report be approved for submission to the Governing Body.

## **63. Financial Reports for Year ended 31 July 2022 and Consolidated Financial Statements [Item 10.1]**

The Audit Committee considered the Financial Report and Consolidated Financial Statements for the University for the year-ended 31 July 2022, [Paper P040].

The CFO said that the statements reported an operational surplus of £5.7million, however, post FRS102 treatment, including pensions adjustments, the adjusted surplus was £75million.

The Assistant Director of Finance [Financial Accounting] reported that the pensions deficit was £5.3million, which was a significant reduction from the previous year due to the decrease in pensions liability.

The CFO said that the £75million surplus should not be taken at face value, as it was primarily due to the required accounting treatments which included a significant actuarial gain. The Chair requested that in the paper to the Governing Body the actual financial position be made explicit, as reporting the £75million could be misleading, especially in light of the upcoming industrial action. The External Auditor agreed that the University's financial position was obscured by the required accounting treatments.

The increase in income from collaborative partnerships was highlighted. The CFO noted that this income increase also gave rise to a significant increase in non-pay costs, as the University was contractually obliged to remit a significant percentage of the collaborative tuition fees to the relevant partners.

The Assistant Director of Finance said that the statements gave the impression of a sharp increase to staff costs in 21/22 compared to 2020/21. However, this was due to the period of Short Time Working in 2020/21 reducing the overall staff costs for that year.

The University had met its bank covenants with substantial headroom.

The External Auditor confirmed that it had reviewed the provisions made within the statements, and was satisfied that they were appropriate.

The External Auditor reported that it had required the University to request extra information from the Kent LGPS actuaries, Barnett Waddingham. This had been received promptly, which reflected the good working relationship with the scheme. The University had been in the top quartile for providing information from the scheme.

In response to a query from a Committee member, it was confirmed that the reduction in solar energy generated on site was due to the University terminating its lease arrangements at Rochester House in 2021, which had been the location for some of the University's solar cells. At the time of installation, only three locations had been deemed suitable to be equipped with solar cells – Rochester House, Old Sessions House, and Erasmus. The location of solar panels would be revisited in due course.

**RESOLVED:**

That the University's Financial Statements for year-ended 31 July 2022 be recommended to the Governing Body for approval.

**64. Medco CCCU Ltd (Trading as Unitemps) Financial Statements [Item 10.2]**

The Audit Committee considered the Financial Report and Consolidated Financial Statements for Medco (CCCU) Ltd for the year-ended 31 July 2022, [Paper P041].

Medco (CCCU) Ltd had returned a profit of £27,734, after two consecutive years of returning a deficit. The audit, undertaken by Mazars, had gone smoothly. The statements had been approved by the Medco Board earlier that day.

## **NOTED**

### **65. External Auditor's Report 2021/22 [Item 11]**

The Audit Committee considered the External Auditor's Report to the Audit Committee for the Audit of the 2021/22 Financial Statements, [Paper P042]. The External Audit Partner said that the report had been completed, pending a few final queries, and receipt of the post balance sheet review to inform the going concern opinion.

The audit report was unqualified. The levels of materiality had not changed from those proposed at the planning stage. There had been no concerns raised in terms of management override of control, income recognition, covenant compliance, property valuation, provisions, management judgements, or accrued expenditure. The External Auditor had not yet finalised the Going Concern opinion, but this was not expected to pose any problems.

The External Auditor drew attention to the comments on the recent legal precedence set by the Harpur Trust v Brazel ruling, which concerned holiday pay entitlement for part-time employees. It was too early to know if this would create a liability for the University. The Assistant Director of Finance confirmed that the University had taken legal advice to establish the position in relation to any relevant staff and would assess whether it needed to make any backdated payments.

In terms of pensions, the External Auditor said that the CPI used to prepare the estimates had been set before the resignation of the former Prime Minister (Liz Truss), and it was not clear if this would need to be revisited.

There were no new control points for 2021/22, and the two control points from the previous year had been satisfactorily addressed. The External Auditor remarked on the significant improvement in the number of old debts owed to the Student Loans Company, which had been a 2020/21 control point.

The External Auditor said that the draft audit report focussed on various external factors that could impact on the University, such as the conflict between Russia and the Ukraine, and money laundering. The report also included some areas for general consideration going forward (not specific to the University), such as the Abrahart v University of Bristol case, and its implications for student cases. The Vice-Chancellor noted that the University had an established system in place for providing Learning Support Plans.

## **RESOLVED:**

To endorse the External Auditor's Report 2021/22 for Governing Body approval.

### **66. Audit Assurance – Teachers' Pension Scheme [Item 12]**

The Audit Committee considered the Audit Assurance - Teachers' Pension Scheme, [Paper P043]. The Assistant Director of Finance said that the return for the 2021/22 tax year had been reviewed by the External Auditor and successfully submitted within the necessary deadline.

**NOTED**

#### **67. Accounting Conventions Update [Item 13]**

The Audit Committee considered the Accounting Conventions Update, [Paper P044]. The Assistant Director of Finance said that there had been no significant changes to the accounting conventions used for the 2021/22 financial reporting and that the OfS was following the same accounts direction as the previous year. She confirmed that the University had adhered to all required accounting conventions.

**NOTED**

#### **68. Fraud, Bribery and Whistleblowing Annual Report 2021/22 [Item 14]**

The Audit Committee received the Fraud Bribery and Whistleblowing Annual Report 2021/22 [Paper P045]. The CFO reported that the Fraud Response Group had met once formally in year, to consider the case of an Afghan student who had requested the refund of his deposit monies. The case was dealt with as an exception to normal practice.

The group has also considered the use of fraudulent payment methods to pay tuition fees. These had been flagged by the system as multiple payment attempts had been made from multiple cards. It was not initially clear if the applicants were the perpetrator or the victim of the fraud. Following investigation, it became apparent that a third party was offering a service whereby they would make the payment on behalf of the applicant under the guise of protecting the applicant from volatile exchange rates. In fact, the payment was made using stolen credit card information. Approximately £60k of such fraudulent payments had been received, which the University was holding until instructed on how and where to return it. To date, £35k had been reclaimed through appropriate channels. The University had not immediately refunded the payments, due to money laundering considerations, and the possibility of future automatic charge backs.

The Group also considered various minor incidences including phishing attempts to payroll and the theft of a laptop from an ex-member of staff. Guidance from the OfS on preventing fraud on campus had been included in the report, and would be considered during the course of the work to refresh the approach to risk management in 2023 and also to inform the scope of the scheduled internal audit report on partnership activities by KPMG.

The Clerk to the Governing Body reported there were three entries on the gifts and hospitality register for 2021/22. Work would be undertaken by the Governance and Legal Services team to raise awareness of staff reporting responsibilities.

The Anti-Bribery Policy and Whistleblowing Policy had been refreshed in year, and the Governance and Legal Services team would roll out training in due course.

The Clerk confirmed that rejected offers of hospitality or gifts would be recorded in the register. It was acknowledged that the numbers were low. The Assistant Director of Finance confirmed that hospitality that was offered by the University was rigorously monitored. The External Auditor also received the Declarations of Interest and Related Party Transaction declarations.

A Governor asked if the report covered instances of fraud against partners. The Vice-Chancellor said that University undertook the necessary due diligence when the partnership commenced, and partners were obligated to report anything significant. Collaborative partners were separate legal entities and the University's interests were protected by virtue of the Memorandum of Agreement.

**NOTED**

**69. Minutes of the Data Returns Quality Assurance Group held on 31 October 2022 [Item 15]**

The Committee received the minutes of the Data Returns Quality Assurance Group held on 31 October 2022 [Paper P046]. The CFO said that the Data Futures returns would commence in May 2023, which would be an in-house return, undertaken several times a year.

**70. Any other business [Item 16]**

The Chair noted the progress against the action log.

**The External Auditors left the meeting.**

**71. RESERVED ITEM: Internal Audit Services [Item 4 (reserved agenda)]**

Separate minutes have been taken to be kept confidential from the published unrestricted minutes.

**72. Date of next meeting [Item 20]**

Monday, 27 February 2023 at 4pm

The meeting closed at 5.45pm.

Signature.....

Date.....