

**AUDIT AND RISK COMMITTEE**  
**Monday 11 November 2019**

**CONFIRMED MINUTES**

**Present:**

David Willis (Chair)  
Peter Thompson

Monica Chadha

Melissa Tatton

**In attendance:**

Professor Colin Bailey

Dr Rachel Bence [for minutes  
2019.027 and 2019.029]

Jonathan Gooding [external  
audit]

Joanne Jones

Rebecca Jones [for minute  
2019.022]

Dr Nadine Lewycky

Jonathan Morgan  
Janice Trounson

Dr Catherine Murray

Neil Thomas [internal audit]

**Apologies**

Kath Barrow

Jessica Hargreaves [internal  
audit]

Julian Reeve [external audit]

**Welcome**

2019.017 The Chair welcomed everyone to the meeting.

**Executive Summary and Minutes of the meeting held 03 October 2019 [ARC2019/15]**

2019.018 The Committee **confirmed** the non-confidential and confidential minutes and **noted** the executive summary of the meeting on 03 October 2019.

**Matters Arising [ARC2019/16]**

2019.019 The Committee **received** a report on the matters arising from the minutes of the meeting on 03 October 2019. The following points were noted in the discussion:

**Strategic KPIs**

[a] The internal audit on strategic KPIs was being finalised and would be circulated to the Committee following the meeting.

[b] Straight-forward internal audit reports would be circulated to the Committee between meetings and included on the agenda as necessary.

*Actions: [a-b] Committee Secretary*

## External Audit Letter of Representation and Annual Report [ARC2019/17&18]

2019.020 The Committee **considered** the external audit report and letter of representation. The following points were noted in the discussion:

- [a] The Committee had held its annual *in camera* meeting with the external auditors. Nothing was raised that needed to be reported to Council.
- [b] The external auditors said that, following the completion of some outstanding matters, they expected to issue an unmodified opinion on the consolidated group accounts. No material issues or adjustments had been identified. One unadjusted difference above the trivial threshold had been identified relating to the university accounts.
- [c] The external auditors reported that the delivery of the narrative for the front half of the accounts had been later than they would have liked. The Committee requested that management keep to agreed timelines during the next year's audit process.
- [d] The Committee discussed the treatment of the pension liability. The use of the 2017 USS valuation had been agreed across the sector. The pension debt would not have bearing on the loan covenants, as pension liability was excluded from most of these. It was noted that the new commentary required for by Office for Students included questions in relation to covenants and mitigating actions.
- [e] It was proposed by management that provision should not be made in respect of the intercompany debt of the Malta subsidiary to the university of £3.4m, as the expectation was that it would be repaid in full and, in any event, did not impact on the consolidated accounts. The forecast for repayment was contingent on the receipt of a grant from the Maltese government, which had been agreed in principle, but was going through formal approval processes within the Maltese government. Any change to this prior to signing of the accounts would be reported to the Committee. The financial position of the Malta subsidiary had already been reviewed by the Finance and Investment Committee, who were satisfied with the proposed accounting treatment. The Chair asked management to confirm that the accounting treatment was appropriate and the Committee was satisfied with the response. Discussions about the timing of the payment were ongoing, which added uncertainty to the forecasts in relation to the loan repayment. A sentence would be added to the accounts to explain this.
- [f] The university had been informed on 5 November 2019 that the planning permission for the proposed School of Business and Management (SBM) building had not been granted at the first committee stage. There would be no change to the accounting treatment of work undertaken to date while the university considered its options going forward.
- [g] The Committee noted that the privately-placed loan notes had been classified as 'non-basic' financial instruments under FRS 102 and that the external auditors had advised that the loan notes would need to be valued by a suitably qualified provider to establish fair value as part of the audit of the 2019/20 accounts.

- [h] During the transaction for a lease of student residences in Stratford, the university had asked Deloitte to provide an accounting opinion. The Committee queried whether this constituted a conflict with Deloitte's role in providing external audit services to the university, but was assured that this was not the case, as Deloitte had not provided advice on the accounting treatment.
- [i] The Committee sought, and received, assurances from management that there was no reason that the representation letter could not be signed. The Committee **agreed to recommend approval** to Council of the representation letter subject to any changes being approved by the Chair of the Committee.
- [j] The Committee **agreed to recommend approval** to Council the external audit report subject to amendments in relation to SBM which would be sent to the Chair for review.
- [k] The Chair thanked the external auditors and the Finance team for a successful audit.

### **Audited Financial Statements 2018–19 [ARC2019/19]**

2019.021 The Committee **considered** the audited Financial Statements for 2018–19. The following points were noted in the discussion:

- [a] The audited Financial Statements had been reviewed by Finance and Investment Committee, which had not suggested any changes.
- [b] The justification for the President and Principal's remuneration was still to be added. The wording was being finalised and, once agreed by the Chair of the Remuneration Committee, would be added to the Financial Statements.
- [c] The External Auditors advised that improvements could be made to the narrative on strategy, including how the strategic objectives and risks were linked. The risk section could be expanded to ensure that all major risks were described alongside the action being taken.
- [d] The External Auditors said that, in their experience, other universities had included more information on value for money. The Committee agreed that, given the short amount of time remaining to circulate the Financial Statements to Council, adding further text would not be appropriate. The Committee encouraged management to give more consideration to how value for money was presented publicly at the March meeting.
- [e] The Committee would receive a paper on going concern next year.
- [f] Committee members would pass on any editorial changes to the Finance team after the meeting. The Committee **recommended approval** of the Financial Statements to Council subject to the above amendments and the completion of the note on the remuneration of the President and Principal with text approved by the Chair of Remuneration Committee.

*Actions: [d] Registrar and Secretary  
[e] Interim Director of Finance*

### **Fire, health and safety annual report [ARC2019/20]**

2019.022 The Committee **considered** the annual fire, health and safety annual report. The following points were noted in the discussion:

- [a] Health and safety audits were performed regularly, but more consistent follow up was needed to ensure that actions were closed. Action plan owners would be asked to report back to faculty health and safety meetings. The Health and Safety Directorate would continue to act as an advisory service, but would follow up on any high risk actions which had not been completed.
- [b] The Committee asked whether the governance structures were effective in enabling issues to be escalated. The Head of Health and Safety had access to the President and Principal should it be necessary to brief on any health and safety issue. Greater visibility of senior leadership was contributing positively to culture change. Further development opportunities had been identified for all staff, and especially Heads of Schools. The Head of Health and Safety was in discussions with Professional Development about mandatory training for all staff.
- [c] The Committee asked how it could surface the right information. The Head of Health and Safety said that speaking directly with staff about problems and the possible solutions ensured that their voices were heard.
- [d] In response to a question from the Committee, the Head of Health and Safety said that there were ongoing building infrastructure and maintenance issues which needed addressing. Ownership of the infrastructure was split between the Schools and the Estates and Facilities Directorate, meaning that oversight of maintenance could become piecemeal.
- [e] The fire safety advisor would be visiting the campuses of partner universities in China as part of the university's duty of care to students.
- [f] The Chair asked whether budget constraints had an impact on compliance. The Head of Health and Safety said that budgets prioritised compliance and could be reprioritised in year.
- [g] The Committee thanked the Head of Health and Safety and her team for their hard work over the year.

### **Assurance arrangements for statutory data returns [ARC2019/21]**

2019.023 The Committee **received** the assurance arrangements for statutory data returns. The following points were noted in the discussion:

- [a] The university implemented a risk-based approach last year which had remained largely unchanged. There was clear designation of responsibilities for internal assurance and sign-off. Positive improvements

in the data were expected to have an impact on the league tables starting in 2020.

### **Legal compliance report [ARC2019/22]**

2019.024 The Committee **considered** the legal compliance report. The following points were noted in the discussion:

- [a] The report showed an improved compliance culture resulting from new appointments and a focus on greater consistency in systems and processes.
- [b] Compliance with consumer protection regulation had improved as a result of more consistent communication with prospective students.
- [c] The university had been notified of non-compliance with the OfS's on-going conditions of registration in relation to the new transparency return. Summary data on our student profile had been published on the website by the deadline, but was submitted to the OfS late. In order to prevent a recurrence, this would be embedded into the same processes as for the other data returns. The Committee asked for future assurance reports on statutory data returns to include timeliness.
- [d] The second issue of non-compliance was the late payment of the university's subscription to the QAA. Although the Committee was content that this had been unusual, it raised concerns about Finance's processes for paying invoices that were not addressed to an individual. The Committee asked management to review the workflows and provide assurance to the Committee. The two instances of non-compliance would be discussed at Council and the relevant minute shared with the OfS.
- [e] The Committee asked about the university's preparations for the upcoming strike action in relation to our responsibility to students as consumers. The Office of the Independent Adjudicator (OIA) had published helpful guidance which included key findings from complaints made in relation to the last round of industrial action. It was not enough to ensure that there was no detriment to assessment outcomes, but universities would need to demonstrate that learning was being provided in another way. A contingency group was meeting this week to discuss plans.

*Actions: [c] Director of Planning*

*[d] Interim Director of Finance and Resources*

### **Value for Money annual report [ARC2019/23]**

2019.025 The Committee **received** the value for money annual report for 2018–19. The following points were noted in the discussion:

- [a] The report showed that progress had been made against the TRAC benchmarks, but that more action was required in some schools. The goal was for all subject areas to be financially sustainable at costs in line with the competitor group.

- [b] The metrics for Estates showed the value that we get from using the space in particular ways. It was expected that the benchmark data would not be available from the OfS in future.
- [c] The Committee asked if the OfS acknowledged the use of space for student activities other than teaching, such as prayer rooms, as this was an example of delivering value to the consumer. Management said that it was unlikely that the OfS was using the data in this way.
- [d] Research income per academic had grown, but further improvements were needed.
- [e] The procurement savings target had been exceeded, which was an excellent achievement given the amount of additional work that was being done by the team to prepare for Brexit.
- [f] The Committee noted that the OfS recently published its value for money strategy and UUK had published guidance on transparency. These would be considered further at the meeting in March.

#### **Whistle blowing cases since the last meeting [Oral report]**

2019.026 There were no whistle blowing cases to report since the last meeting.

#### **Fraud and financial irregularities since the last meeting [Oral report]**

2019.027 [a] *Minute 2091.027[a] is confidential.*

#### **Draft Audit and Risk Committee Annual Report 2018–19 [ARC2019/24]**

2019.028 The Committee **considered** the second draft of the Audit and Risk Committee Annual report 2018–19.

- [a] The Committee made some minor amendments which would be incorporated in the draft to be circulated the Committee members for approval before the end of the week.

*Action: [a] Committee Secretary*

#### **Deep dive on information governance [ARC2019/25]**

2019.029 The Committee **considered** a deep dive on information governance. The Chief Information Officer said that:

- [a] Work was continuing to improve awareness about GDPR compliance through the newly-appointed faculty champions. A service portfolio review was underway and would identify where unnecessary personal sensitive data was being held.
- [b] An internal audit of cyber security was nearing completion and indicated a possible rating of 'little or no assurance'. This was not unexpected, as there had been a vacancies in key compliance roles for some time. The internal

audit report would be circulated to the Committee when complete and included on the agenda for the March meeting.

- [c] The Committee queried whether reporting a data breach to the Information Commissioner's Office (ICO) constituted a reportable event to the Committee and the OfS. This would only be the case if the breach materially affected, or could materially affect, the university's business model or ability to comply with the conditions of registration. Going forward, the Committee requested biannual reports to include all data relating to the ICO. Any major incidents out of cycle would also be reported.
- [d] The Committee sought assurances that internal processes were effective for handling data breaches. All breaches were reported to the Records and Information Compliance Manager in the first instance. These were escalated to the Registrar and Secretary as Data Protection Officer who made the decision whether or not to disclose to the ICO. All incidents were reported to the Information Governance Group.
- [e] The Committee asked the CIO whether she was assured that there was open and honest reporting across the organisation and that she was getting sight of issues which need to be escalated. The CIO said that fear of repercussions could prevent some breaches being reported and this required trust to be built up in the organisation. Reporting to the Committee would help drive improvement.
- [f] IT Services was currently recruiting two information security specialists to lead on strategy and operations. The Director of Transformation had been appointed and was providing interim leadership in this area. Achieving the cyber essentials accreditation would provide financial benefits, as it would enable departments to bid for contracts. Deloitte was looking to set up cyber security information sessions for the higher education sector.

*Actions: [b] Committee Secretary  
[c] Chief Information Officer; Committee Secretary*

**\*Draft agenda for the next meeting [ARC2019/26]**

2019.030 The Committee **noted** the draft agenda for the meeting on 12 March 2020.

**Dates of meetings in 2019–20:**

- Thursday 12 March 2020 at 1500 hours, Robert Tong Room, Mile End.
- Wednesday 10 June 2020 at 1500 hours, Robert Tong Room, Mile End.