AUDIT AND RISK COMMITTEE
Tuesday 08 June 2021

CONFIRMED MINUTES

Present:

David Willis (Chair)	Simona Fionda	James Hedges
Dr Alix Pryde	Peter Thompson	

In attendance:

Professor Colin Bailey	Michelle Hopkin [external audit]	Karen Kröger
Dr Nadine Lewycky	Charles Medley [internal audit]	Jonathan Morgan
Dr Catherine Murray	Paula Sanderson	Neil Thomas [internal audit]
Janice Trounson		

Apologies:
Craig Wisdom [external audit]

Welcome

2020.057 The Chair welcomed everyone to the meeting and noted the apologies.

Minutes of the meeting held on 09 March 2021 [ARC2020/45]

2020.058 The Committee **confirmed** the confidential and non-confidential minutes of 09 March 2021.

Matters arising [ARC2020/46]

2020.059 The Committee **noted** the matters arising from the meeting held on 09 March 2021. The following points were noted in the discussion:

Cyber security reporting

[a] It had been agreed that the Committee would be notified of all data breaches reported to the Information Commissioner's Office (ICO). The volume of reporting would be monitored and the threshold kept under review.

Review of consumer protection law

[b] At its last meeting, the Committee suggested that a review be conducted of our compliance with consumer protection law for postgraduate taught (PGT) programmes with a practical element. An analysis of student complaints data had identified four areas for further review. In the majority of cases the complaints were being considered at the initial local level. The Committee would receive an update on progress in the next academic year.

Strategic Risk Register [ARC2020/47]

2020.060 *Minute 2020.060 is confidential*.

Reputation risk in relation to senior staff appointments [ARC2020/48]

2020.061 *Minute 2020.061 is confidential*.

Internal audit progress report and internal audit plan 2021–22 [ARC2020/49]

2020.062 The Committee **considered** the internal audit progress report and internal audit plan 2021–22. The following points were noted in the discussion:

Internal audit progress report

[a] The progress report showed the delivery status of this year's internal audit. There had been some discussion about the timing of the staff conduct review. Two to three alternative topics had been identified and it was determined that Transparent Approach to Costing (TRAC) would be a suitable replacement. The Committee **agreed** with the inclusion of TRAC into this year's internal audit.

Internal audit plan 2021–22

[b] The Committee was asked to feed back on the proposed topics for next year's internal audit. There was a requirement to cover an area of finance, governance, data and risk in order to produce the Head of Internal Audit Opinion. The hope was for the Committee to agree the first few reports and sign off the final plan in September.

[c] The Committee suggested a future report on information governance. The Head of Internal Audit said that universities with medical schools which have to align to the NHS Data Protection and Security Toolkit tend to have better structures and processes in place for information governance. The largest risks in relation to information governance were in the medical school but this did not assume that the level of control covered the rest of the institution.

[d] The Committee asked whether the major risks to the institution were covered by the proposed audits. Part of the planning had included identifying the links between the auditable systems and risks outlined in the Strategic Risk Register.

[e] The Committee said that the handling of complaints and appeals, including whistle blowing, could form the subject of a review. A report on student complaints had been completed within the last 10 months. Council and Senate also received annual reports on the overall outcomes of student complaints. Council was required to seek assurance on the effectiveness of the complaint mechanisms. Staff complaints made under the grievance policy would be covered later in the year once the new policies had been embedded. Whistle blowing disclosures at universities were rare and each case was unique, so there was limited value in auditing the processes.

[f] The Committee asked how exposed the university was on IR35. The university had been subject to IR35 rules for a number of years and detailed guidance was provided to staff, so the risk was low. It was typical for

payments to be made to external people, such as industry experts invited to give specialist lectures. We needed to ensure that our processes enabled these activities while ensuring compliance. IR35 would be covered as part of the staff payments audit.

[g] Cyber security would not be considered as part of the report on core financial systems. A review of cyber security had been reported to the Committee in March 2020 with a red rating. It was suggested that the Committee receive an update on the work in 12 to 18 months as a matter arising.

[h] The Committee discussed a review into student retention to build on last year's review of student satisfaction. Some universities had put in place systems to understand which students were at risk of not being retained. Case studies of two to three schools and institutes could be identified to support the review.

[i] A full standards review of student housing was required every three years and we were now into year two of that cycle of activity. Site visits had not been possible last year because of the pandemic so would be completed next year.

[j] The Committee **agreed** with the proposal for the first internal audit plans for 2021–22 to focus on student housing; data and analytics review of core financial systems; and student retention. The Committee **agreed** for the further reviews to be confirmed at a later date.

Planned internal audit reports [ARC2020/50]

2020.063 The Committee **discussed** the planned internal audit reports. The following points were noted in the discussion:

Faculty governance

[a] The report considered the governance and risk arrangements in the School of Medicine and Dentistry. The report received four low rated recommendations and benchmarked well against other organisations. The system was largely operating as designed and had worked well throughout the pandemic. The Chair asked for those involved in the audit to be thanked for their excellent work.

Student satisfaction

[b] There had been a drive to empower Schools to manage student satisfaction issues which had led to significant variation between Schools and across faculties. There may be a series of issues facing students that would benefit from a unified approach or more centralised processes. Finding the right balance between local autonomy and the consistency offered by central oversight was a common issue across the sector.

[c] The Committee asked whether the move to online surveys during the lockdown had led to greater consistency and shared best practice. There were historic issues with module reporting which had been improved by a new dashboard. There were significant differences in the response rates between Schools and a working group led by the Vice-Principal (Education)

had been set up to review module evaluations. Response rates to the UKES and PTES surveys for postgraduate taught students were routinely low. This may be improved by demonstrating to students the changes implemented as a result of their feedback.

Workforce wellbeing

[d] The focus would be on maximising the effectiveness of the resources that were available by tracking their use. Some of the initiatives under the enabling plan were new, so the impact was not yet known.

[e] The Committee questioned limiting the scope to Professional Services staff. The original scope for the review had been tied to the move to Department W and staff surveys on remote working were already underway.

[f] The Committee said that the time frame for completion of follow up actions of six to eight months seemed too long. The actions involved establishing processes and policies which would take longer to set up. Some actions would be taken forward more quickly. The deadlines had been set to align with reporting to the Committee. The Committee could receive earlier feedback on progress.

Data breach [ARC2020/51]

2020.064 The Committee **noted** the details of a personal data breach that had been reported to the Information Commissioner's Office since the last meeting. The following points were noted in the discussion:

[a] The full text of the report made to the ICO has been shared with the Committee. We had notified the ICO three weeks ago but had not received a response. A lessons learned exercise with those involved would review the processes and ensure that training was up to date. It would be an opportunity to discuss data protection by design such as including certain pieces of data that could have been excluded. The Committee would receive an update once the ICO had responded.

[b] The Committee said that it had been agreed at the last meeting that a biannual cyber security report would be produced for this meeting and that this report did not fulfil the expectations of the Committee as set out in minute 2020.056. A retrospective reporting of actions would be completed over the summer and added to the agenda for the September meeting. Cyber security was a priority issue and we were working to ensure that we had as much protection in place as possible. The sector as a whole was concerned about ransomware attacks. Our efforts focused on how quickly systems could be restored in the event of an attack. The Committee said that the level of protection in the last report was low and that the threat of attacks would only increase. Additional resource for cyber security had been approved and we had enlisted external consultants with a view of sector-wide developments.

Whistle blowing cases since the last meeting [ARC2020/52]

2020.065 *Minute 2020.065 is confidential*.

Fraud/financial irregularities occurring since the last meeting [Oral report]

2020.066 *Minute 2020.066 is confidential*.

Committee Terms of Reference, Membership and effectiveness review [ARC2020/53]

2020.067 The Committee **considered** the annual review of its terms of reference, membership and effectiveness. The following points were noted in the discussion:

[a] The Committee currently had one vacancy for a full Council member with a second vacancy arising when David Willis stepped down as Chair. This would leave a legal skills gap and work was being taken forward through Governance Committee to appoint an existing Council member with legal expertise. A campaign to recruit three new external Council members would be undertaken in the next six to 18 months once the role of the Treasurer had been finalised. An advertisement would be prepared and shared with Council and co-opted members for feedback and to disseminate among their networks. The priority skills were HR, secondary education and finance. It was hoped that one of the new members would join the Committee.

[b] The Committee asked whether it was fully discharging its duties in relation to financial control and data assurance as set out in its terms of reference. Financial control was a significant part of what was covered by the internal audit. External data returns including Transparent Approach to Costing (TRAC) were covered by the Committee. Finance and Investment Committee was responsible for much of the detailed work in this area including a review of management accounts.

[c] The external audit assessed the risks in relation to controls around different business processes, including financial controls, and identified areas where further testing might be required. Some control testing was mandated annually, including controls around management override. A change in auditing standards this year meant that the controls around management estimates and judgments would be reviewed. Any weaknesses would be reported back to the Committee.

[d] Core financial systems were covered on a three-year cycle by internal audit. The direction of travel in corporate governance was towards control catalogues and annual reports. This was about three to four years away for universities. The Committee may want to start reflecting in the next two to three years about how this can be built into business as usual activity for the finance department and the Committee. The Chief Financial Officer would draft a paper on the future direction for the Committee to consider.

[e] The Committee was supportive of the return to face-to-face meetings but said that those who were unable to attend in person should have the option to join remotely. Before lockdown, the Committee had a remote element where those unable to attend could dial in. Changes to the terms of reference were on hold until the revised Charter was approved. We would plan for in-person meetings but retain a remote option.

[f] The Committee **agreed** that a paragraph (3.6) should be added to the terms of reference on regular reporting of cyber security.

Actions: [d] Chief Financial Officer;
[f] Committee Secretary

Annual schedule of business 2021–22 [ARC2020/54]

2020.068 The Committee **considered** the annual schedule of business for 2021–22. The following points were noted in the discussion:

[a] The Committee discussed deep dive topics for next year. The Committee requested a deep dive to cover the breadth of our Transnational Education initiatives from the Vice-Principal (International).

[b] The Committees said that items out of tolerance or lead indicators could form the basis of deep dives. Examples included ransomware attacks; student satisfaction in relation to mixed mode education delivery; overhead recovery; new ways of working; and the impact of the changes to the unit of resource on university finances and operations.

[c] The Committee discussed a deep dive on lessons learned and emerging trends in student recruitment. This would provide an opportunity to challenge management on the student profile and the assessment of risks on overseas recruitment, particularly the university's exposure to markets in China, India and Pakistan. It could cover the processes around confirmation, clearing and conversion. The deep dive would consider the last three years with a look forward.

[d] The Committee asked whether delivery of the Estates and IT enabling plan could be a potential deep dive. Oversight of the plan resided with Finance and Investment Committee who reported to Council. There may be some issues for the Committee to consider once the plan has been to Council.

[e] The Committee was due to receive a biannual report on cyber security and could reconsider a deep dive on the topic in the autumn.

[f] A deep dive on HR processes for recruitment and retention could be embedded in a deep dive on the new ways of working. The Committee's discussion at a previous meeting on staff recruitment and retention had been triggered by vacancies in key compliance roles. There was a high level of competition for these skills across all sectors. A recruitment proposition and strategy was being developed.

[g] The Committee **agreed** to receive a deep dive presentation on student recruitment at the September meeting and to discuss the two other deep dives for 2021–22 at that meeting.

[h] Any potential issues with external audit would be flagged at the September meeting so that the Committee can consider scheduling an additional meeting before sign off in November.

Actions: [g] Committee Secretary

Draft agenda for the next meeting [ARC2020/55]

2020.069 The Committee **noted** the draft agenda for the next meeting on 29 September 2021 with the addition of the final review of the internal audit plan 2021–22 and the cyber security bi-annual report.

Action: Committee Secretary

Update on internal and external auditor contracts [ARC2020/56]

2020.070 *Minute 2020.070 is confidential*.

External audit fee 2020–21

2020.071 *Minute 2020.071 is confidential*.

Dates of meetings in 2021–22:

- Wednesday 29 September 2021 at 1500 hours, Robert Tong Room, Mile End.
- Tuesday 9 November 2021 at 1500 hours, Robert Tong Room, Mile End.
- Wednesday 16 March 2022 at 1500 hours, Robert Tong Room, Mile End.
- Thursday 23 June 2022 at 1500 hours, Robert Tong Room, Mile End.