



## **Audit Committee**

### **MINUTES AND ACTIONS**

04 June 2020  
1000-1200  
Via Microsoft Teams

#### **CONTENTS:**

| <b>No.</b> | <b>Item</b>   |
|------------|---|
| 1.         | Welcome and Declarations of Interest  |
| 2.         | Interim Executive Governance (AUD/20/17)  |
| 3.         | Financial: <ul style="list-style-type: none"><li>- Draft Budget 20/21 and Later Year Projections (AUD/20/18)</li><li>- Bank Covenants (AUD/20/19)</li><li>- Financial Forecasts (AUD/20/20)</li><li>- Covid Corporate Financing Facility (CCFF) (AUD/20/30)</li></ul> |
| 4.         | Internal Audit (AUD/20/21) – <ul style="list-style-type: none"><li>- Research Governance (AUD/20/22)</li><li>- Risk Management (AUD/20/23)</li><li>- Risk Management Update Report (AUD/20/24)</li></ul>  |
| 5.         | Value for Money Report (AUD/20/25)  |
| 6.         | T1 Post-Implementation Review (AUD/20/26)   |
| 7.         | Cyber Security  |
| 8.         | Chair's Closing Remarks   |

## **Attendees**

### **Present**

|              |                             |
|--------------|-----------------------------|
| Gerry Brown  | Independent Member (Chair)  |
| Graham Cole  | Independent Member          |
| David Dupont | Co-opted Independent Member |
| Simon Enoch  | Co-opted Independent Member |
| Alison Reed  | Independent Member          |

### **In attendance**

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| Dan Charman       | Pro-Vice-Chancellor and Executive Dean, CLES   |
| Andrew Connolly   | Chief Financial Officer (CFO)                  |
| Jacqueline Hodges | Deputy Secretary to Council                    |
| Chris Lindsay     | Director of Compliance, Governance and Risk    |
| Kate Lindsell     | Head of Compliance                             |
| Maria Rose        | University Secretariat Administrator (minutes) |
| Mike Shore-Nye    | Registrar and Secretary                        |
| Tracey Tuffin     | Interim Internal Audit Manager                 |

### **With**

|                 |   |
|-----------------|---|
| Alan Hill       | Chief Information and Digital Officer (for item 11) |
| Mike Rowley     | KPMG, External Auditor                              |
| Victoria Sewell | KPMG, External Auditor                              |
| Heather Ancient | PWC, Internal Auditor                               |
| Charles Martin  | PWC, Internal Auditor                               |

### **Apologies**

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| Nicholas Cheffings | Independent Member |
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| <p><b>1.</b></p> | <p><b><u>WELCOME AND DECLARATIONS OF INTEREST</u></b></p> <p>The Chair welcomed the Committee members to the meeting and introduced Victoria Sewell had taken over from Mike Rowley as the university’s KPMG representative. Mike Rowley confirmed he would be attending for the next academic year for extra support due to the Covid-19 situation.</p> <p>Apologies were noted from Nicholas Cheffings.</p> <p>No declarations of interest were declared.</p> <p>The Chair confirmed that David Dupont and Simon Enoch have agreed a second term as Independent Members for the Audit Committee, ending July 2022. The group gave their thanks for their support over the previous three years.</p> <p>As the Vice-Chancellor approached his retirement in August 2020, the Committee formally noted its thanks for his help and support to Audit Committee over the years. It was agreed that a formal letter of thanks be sent to him from members.</p> <p><b>ACTION: Draft a formal letter of thanks to the Vice-Chancellor from Audit Committee (Registrar and Secretary).</b></p> <p>[Secretariat’s note: Comments from Chat have been incorporated into these minutes to reflect the points raised in parallel to the main discussion]</p> |
| <p><b>2.</b></p> | <p><b><u>MINUTES OF THE MEETING 10 MARCH 2020 (AUD/20/16)</u></b></p> <p>The minutes of the meeting of 10 March 2020 were approved as an accurate record of the meeting.</p> <p><u>Matters Arising</u></p> <p>It was noted that various streams of work have been paused due to the Covid-19 situation, including Governance Code and industrial partnering work. The Chief Financial Officer (CFO) noted that Research Cost-Recovery work was ongoing and formed an important part of Covid-19 financial mitigation.</p> <p>It was confirmed that the in-coming Vice-Chancellor, Professor Lisa Roberts, had the Autumn Term Audit Committee meeting date held in her diary for her to attend.</p>  |
| <p><b>3.</b></p> | <p><b><u>INTERIM EXECUTIVE GOVERNANCE (AUD/20/17)</u></b></p> <p>The Registrar and Secretary briefed the group on the interim governance arrangements for the duration of the Covid-19 Response Programme. The Registrar and Secretary explained that the existing structure has been utilised where possible but some new groups have been created in order to better manage the operational and strategic aspects of the University response (as detailed in paper AUD/20/17). A Council Finance Sub-Committee had been convened to oversee financial mitigation and the group met fortnightly and focussed on cash, risk and mitigation. The Registrar and Secretary explained that the approach has been successful and had contributed to strong communications, quick decision making and some sector-leading responses like the No-Detriment policy and that helpful scrutiny from Audit Committee in the early stages of the crisis had contributed to a successful response.</p>  |

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|             | <p>The Registrar and Secretary also briefed on how Covid-19 testing for staff and students could look, the related ethical considerations and also described a five-point approach being developed for the reintroduction of attendance in person on campus. The Registrar and Secretary committed to providing updates to Audit Committee on this as plans developed.</p> <p>The Committee NOTED the report.</p>  |
| <b>4</b>    | <b><u>FINANCE</u></b>  |
| <b>4.1</b>  | <b><u>DRAFT BUDGET 20/21 AND LATER YEAR PROJECTIONS (AUD/20/18)</u></b>  |
|             | <p>The CFO explained that the draft budget was being brought to Audit Committee in order to provide the extra assurance needed in the current circumstances.</p>   |
| <b>4.2.</b> | <b><u>BANK COVENANTS (AUD/20/19)</u></b>   |
|             | <p>The CFO explained the situation regarding the University's current lending arrangements.</p> <p>The Committee noted the report and the approach outlined.</p>   |
| <b>4.2.</b> | <b><u>FINANCIAL FORECASTS (AUD/20/20)</u></b>  |
|             | <p>The Committee noted the April financial forecast for 2019/20 and the CFO confirmed that another forecast would be presented to the 09 July 2020 Council meeting.</p>  |
| <b>4.3.</b> | <b><u>COVID CORPORATE FINANCING FACILITY (CCFF) (AUD/20/30)</u></b>  |
|             | <p>The CFO explained that the University currently had a £50m facility with Barclay's which was due to expire in November 2020. The University intended to apply for the better value Covid Corporate Financing Facility (CCFF), available to large, investment quality businesses and an application for eligibility had been submitted to the Bank of England. Legal advice was being sought on the eligibility criteria of not being a public body and would share the legal opinion with the Committee.</p> <p><b>ACTION: Share the CCFF eligibility legal option with Audit Committee for information. (CFO)</b></p> <p>The CFO added that the Queens Counsel supported the assertion that student loans were not public money and even when student loans taken into consideration, public funding was under the 50% threshold. If the University was not eligible, another longer, larger revolving credit facility would be sought.</p> <p>Committee members queried whether there would be any specific covid-19 related features in the up-coming audit; the external auditor confirmed that there would be additional procedures and scrutiny to complete over the forecast and the impact on valuations and estimates. An interim audit was to take place in July and it was to be discussed with the CFO what additional information would be required.</p> |
| <b>5.</b>   | <b><u>INTERNAL AUDIT (AUD/20/21)</u></b>   |
|             | <p>The Internal Auditors confirmed that they have been in close contact with the University on the plan and reviewed risks for the current year's audit. The Head of Internal Audit was required to provide an Internal Audit Opinion at the end of the year. The approach was to be flexible and take into account new ways of working and focus on current priorities. The four reviews being taken forward were cyber, IT resilience and capacity, data sharing and treasury management. The Chair noted a particular focus would be on the capability of online education and the rigour of the cost saving delivery plan as part of the revised audit plan. The Director of CGR added that he has also brought the Chief Information and Digital</p>  |

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|            | <p>Officer (CIDO) into discussions with the internal auditors on online education support to ensure this was focussed on at initial meetings.</p> <p>The Director CGR also confirmed that some discussion and work on the Audit recommendations follow-up process has taken place but not sufficient to make a detailed report for the committee but amber and red marked follow-up issues had been picked up with appropriate directors.</p> <p>The Registrar and Secretary raised the need for an update on mandatory training performance and this was to be on the agenda for the next meeting.<br/> <b>ACTION: Governance of online mandatory training to be added to the July meeting agenda (Deputy Secretary).</b></p> <p>The Registrar and Secretary also noted the need to ensure the appropriate Dual Assurance Council Leads were involved in reviews for their portfolio areas.</p>  |
| <b>6.</b>  | <b><u>RESEARCH GOVERNANCE (AUD/20/22)</u></b>   |
|            | The Chair confirmed that the University had accepted the recommendations in the report and no further discussion took place.  |
| <b>7.</b>  | <b><u>RISK MANAGEMENT (AUD/20/23)</u></b>   |
|            | <p>The Internal Auditor explained that this review had focused on two key elements of the University's risk management strategy &amp; appetite and culture against the risk maturity framework.</p> <p>It was highlighted in the review that Risk management was seen by many in the University as a compliance exercise and administration burden, rather than as a useful business tool that supports more informed strategic decision making. The Director of CGR added that while the risk structure developed did allow the University to use risk in a strategic way, more may need to be done to establish a culture that would enable this. The audit methodology had been helpful to identify outputs and a way forward would be to work with Council on risk appetite and then to improve training, particularly below senior management level and with risk owners. A risk management brochure was being drafted and would be brought to Audit Committee and Council next academic year.</p> |
| <b>8.</b>  | <b><u>RISK MANAGEMENT UPDATE REPORT (AUD/20/24)</u></b>   |
|            | <p>The Director, CGR shared a paper for the Committee's information which aimed to provide assurance of the framework by which the University was managing issues/risks related to Covid-19.</p> <p>The paper focused on the interim governance structure, and how this integrated with the formal risk reporting via the University risk registers. No further questions were raised.</p>  |
| <b>9.</b>  | <b><u>VALUE FOR MONEY REPORT (AUD/20/25)</u></b>  |
|            | <p>The Chair requested that the committee send comments and questions directly to the CFO, in advance of a final report to be presented to Audit Committee in the Autumn.<br/> <b>ACTION: All to send comments and questions on the VFM Report directly to the CFO (All).</b></p>   |
| <b>10.</b> | <b><u>T1 POST-IMPLEMENTATION REVIEW (AUD/20/26)</u></b>   |
|            | The CFO explained that the Future Finance Project methodology required an independent post-implementation review to accompany the Lessons Learned report published internally. The CFO considered that the report underestimated the scale of the change management issue and also the value of the long term relationship with T1 and subsequent support   |

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|            | <p>received from them. The CFO also noted the cloud based system had enabled seamless continuation of finance function during the Covid-19 situation and that the initial contract had protected the University financially.</p> <p>A committee member queried the action undertaken following the reports recommendation; the CFO advised that this was ongoing and the Covid-19 situation had side-tracked some of this work but it would be picked back up.</p> <p>A committee member noted that it would be useful to feed in the lessons learned into the many projects ongoing at present and the Registrar and Secretary agreed that it would be relevant to take to the Covid Digital and IT Sub-Group and reassured that the Future Finance Lessons Learned and design thinking have been helpful in rolling out other projects e.g. Single Factor Authentication.</p> <p><b>ACTION: Present the T1 Lessons Learned to the Digital and IT Sub-Group (Registrar and Secretary).</b></p> <p>With regards to the recommendation to establish a formal T1 completion project (recommendation 6) the CFO noted that he considered that the project would not have a definite end date and improvements would be identified and continued as business needs changed.</p>  |
| <b>11.</b> | <b><u>CYBER SECURITY UPDATE</u></b>  |
|            | <i>The Chief Information and Digital Officer (CIDO) joined the meeting</i>   |
|            | <p>The Chief Information and Digital Officer (CIDO) presented a series of slides to update the committee on cyber security developments. It was noted that the investment in Splunk software had averted one major cyber-attack and that Covid-19 related press could exacerbate ransom target risks for the university and remote working could increase this vulnerability. Recent fixes include Advance Threat Protection which protected email content and devices and monitors unusual activity; there was a programme to update devices to Windows 10 which has been paused but was ready to start rolling out again and work was underway in batches to improve password complexity. The university's VPN service had also been replaced.</p> <p>The Information Security Framework illustrated where progress was sufficient and investment had paid off. The CIDO noted a new Technical risk and compliance role that would enable risks to be escalated to the corporate risk register.</p> <p>The CIDO noted the planned next steps, including Multi-Factor Identification by autumn 2020, taking into consideration the student and staff experience. A network refresh was also up-coming as well as further Splunk investment work and analysis of the threat related activity for bio-chem/ bio-pharm research in the present times.</p> <p>Online awareness training was raised and the CIDO noted the information security training, and phishing training was being looked into. The Registrar noted the request for mandatory training completion data to be brought to the next meeting.</p> |
| <b>12</b>  | <b><u>CHAIR'S CLOSING REMARKS</u></b>  |
|            | <p>The Chair requested any items to consider for the July meeting of Audit Committee and received suggestions:</p> <ul style="list-style-type: none"> <li>• Governance of online mandatory training</li> </ul>   |

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|  | <ul style="list-style-type: none"> <li>• Update on overdue audit actions</li> <li>• PWC’s Head of HE to attend to give a summary of lessons learned from other institutions in the sector about good practice in response to Covid-19</li> <li>• IT capability for online teaching</li> <li>• Progress update on budgets, international students numbers and impacts of Covid-19</li> <li>• Latest on the finances and delivery of teaching</li> <li>• Update on progress with external audit and issues on Covid-linked features</li> <li>• Loan covenants</li> </ul> |
|  | <p>PART II</p> <ul style="list-style-type: none"> <li>- Internal Audit Team Structure (AUD/20/27)</li> <li>- Response to the USS Consultation (AUD/20/28)</li> <li>- Students' Guild - Joint Operations Group Terms of Reference (AUD/20/29)</li> <li>- University Insurance Arrangements (AUD/20/31)</li> </ul>   |