NEWMAN UNIVERSITY

Audit Committee

Minutes of the Meeting held
on Thursday 20th June 2019 at 1030 in Room HI 102

Present:

Mr Phillip Lennon	Chair
Ms Deirdre Finucane	
Ms Julie Jones	

In Attendance:

Ms Andrea Bolshaw	Clerk to the Council
Professor Peter Childs	Deputy Vice-Chancellor
Mr Tony Sharma	Chief Financial Officer
Ms Ruth Ireland	BDO (Internal Auditors)
Mr Bill Devitt	Grant Thornton (External Auditors)
Mr Jim McLarnon	Grant Thornton (External Auditors)
Ms Jackie Flowers	Minute Secretary

1. Apologies

Apologies for absence were received from Mr Glen Alexander.

2. Standing Item: Declarations of Interest

There were no declarations of interest.

3. Minutes of the Meeting held on 27th February 2019 (AC 1M/19)

The minutes of the previous meeting were received, considered and agreed to be a correct record.

4. Matters Arising from the Minute

Minute 4 – Vice-Chancellor's Attendance at Meetings of the Committee

It was agreed that there would be further discussion about the Vice-Chancellor's attendance at meetings of the Committee with the new post-holder. In the interim, the Acting Vice-Chancellor would attend unless there were competing pressures; there was always the option for the Acting Vice-Chancellor to attend for only those items which were considered necessary.

Minute 5.3 - Internal Audit Recommendation Tracker

The previous years' recommendations had been added to the Tracker.

Minute 7 Data Protection and GDPR Implementation Plan Update

A written update was on the Agenda at item 10 below.

Minute 10 - External Audit Tender Process

The External Audit Tender process was on the Agenda at item 16 (restricted) below.

5.   Internal Audit (AC 8/19)

5.1   Internal Audit Progress Report (Annex 1)

Ms Ireland gave an update on the delivery of the Internal Audit programme for 2018/19. Since the last meeting of the Committee, final reports had been issued for Cyber Security, ITE Compliance and Data Quality – TRAC. The report for Marketing has been undertaken within the period but more latterly, so would come to the next Audit meeting. She noted the changes to the delivery timetable which had been requested by University management. The original Data Quality audit was to have focused on the University's response to the HESA Data Futures programme but as this had not progressed to a point where the impact on the University could be assessed or audited, the audit reviewed controls over the TRAC preparation and submission process. The Marketing audit had been re-scheduled from February to May to allow a focus on the life-cycle spanning the development and marketing of new programmes, and subsequent recruitment.

The progress report was noted.

5.2   Internal Audit Reports:

5.2.1 Data Quality – TRAC

The Transparent Approach to Costing (TRAC) was first introduced in 1999 as an Activity-Based Costing system, adapted to the academic environment in a way which also met the needs of the main public funders of higher education. It is a process for taking expenditure information from published financial statements and applying cost drivers (such as academic time and space usage) to allocate costs to academic departments and activities. The objective of the internal audit was to provide assurance over the design and effectiveness of the controls and processes which supported the preparation and submission of accurate annual TRAC returns.

The audit gave substantial assurance over the design and operational effectiveness of the controls in place and a number of areas of good practice had been highlighted. One finding of low significance had been identified: there was a lack of documented timescales for the TRAC returns to ensure that they were submitted in advance of the deadline each year. The audit therefore recommended that the University should update the existing TRAC and TRAC(T) procedures with a timetable that sets out the exact dates that the Finance Team

should work towards when completing the returns. This should include the deadline for producing the first draft, the deadline for the CFO's review and approval, the deadline for presentation to the audit Committee or the Finance and General Purposes Committee (FGPC), the responsible individuals and the deadline for the eventual submission of the returns to the OfS. Management had agreed with the recommendation and it had been implemented in March 2019.

Resolved: AC 4/19

To approve the Internal Audit Report on Data Quality (TRAC)

5.2.2 ITE Compliance

The audit's purpose was to provide assurance on the University's overall framework to support continuing ITE Compliance. The audit gave moderate assurance over both the design and operational effectiveness of the University's ITE Compliance framework and processes. A number of areas of good practice had been highlighted. Two findings of medium significance and one finding of low significance had been identified.   Three recommendations had been made and had been taken on board by the University's ITE Compliance Task Group for appropriate action to be taken in response.

The Committee asked for there to be a specific date given for the implementation of the third recommendation and for all actions to have a specific individual responsible (not 'in consultation with an other').

Action   Clerk to the Council

The Committee discussed whether ITE should be on the Risk Register. It had been previously for a specific issue but had now been deleted from the Register as that particular point had been superseded. The Committee noted the critical importance of ITE to the University and of the implications should Ofsted remove approval of the University to provide ITE.

Resolved: AC 5/19

To approve the Internal Audit Report on ITE Compliance

5.2.3 Cyber Security Audit

The purpose of the audit was to provide assurance through a high-level review of the University's Cyber Security control environment, in particular regarding mitigation of cyber security threats to both system availability and data security. The review assessed the design of the controls around cyber security (and not their effectiveness) and

was based on the organisation's overall threat profile and focused on key systems only.

[REDACTED – SENSITIVE INFORMATION]

During consideration of the audit report, the following points arose:

The Committee heard from the Internal Auditor that it was not unusual in the HE sector for there to be limited assurance on cyber security. The University accepted that it was difficult to entirely avoid cyber breaches and its aim was to ensure that the impact of any breach was minimal.

It was noted that some actions were 'subject to budget approval'. The Chief Financial Officer (CFO) advised that whilst at present recommendations were not specifically incorporated in the budget, budgetary constraint would not preclude the implementation of the recommendations.

There was a discussion about the size of the University's IT department and the consequent need for external support and review. The Committee noted the importance of documenting processes in a small department.

The Committee also discussed the categorisation of Cyber Security on the Risk Register, noting that it was presently rated green. The CFO explained how the method of calculation of the risk level resulted in cyber breach not having a high score on the Risk Register.

The Committee thought it important that the recommendations made were worked through and in a specific, albeit reasonable, timeframe given that some of the timescales in the management responses were vague.

Action   Chief Financial Officer/Director of IT Services

It was noted that Council membership did not include an IT expert and that, given its importance, other Governing Bodies were appointing an IT expert as a member.

The Committee noted with some concern the reference to the breach of both the Newman PCI-DSS policy and PCI-DSS compliance as the required vulnerability scans had not been carried out in accordance with the specified timescale. It was agreed that BDO would provide clarification on this.

Action   BDO

5.3   Internal Audit Recommendations Tracker

In 2018, the Audit Committee had agreed that an internal process should be developed to keep track of the implementation of recommendations made by

internal audits. A recommendations tracker had been developed and would be updated by the UOT ahead of each meeting of the Audit Committee.

The Committee considered the tracker and noted that it was a work in progress. It was felt that the document was too long and that the focus could be altered to allow the Committee to understand the reasons for any delay in implementing recommendations. The preferred format was for a single line for each outstanding recommendation which would include the actual date of implementation against each recommendation. It was suggested that recommendations in respect of the GDPR advisory review could be removed.

Action   Clerk to the Council

BDO welcomed this development and requested that the evidence for confirming the implementation of recommendations is gathered and submitted to BDO throughout the year.

Action   Clerk to the Council / BDO

5.4   Internal Audit Strategy 2019/20

The Committee considered the proposed Internal Audit Strategy for 2019/20. It noted the amendments from the previous Internal Audit Plan, which were: the deferral of the infrastructure/space management review to 2020/21; the inclusion of a review of the Tier 2 sponsorship licence(to ensure that the University was adhering to its duties as a Tier 2 sponsor licence holder); the removal of the review of HR strategy and delivery and change management/organisational change; an increase in the number of days for business continuity from 5 to 6.

The Committee noted the reasons for the changes to the previous plan:

As there were currently no Tier 2 staff at the University (because staff concerned now had indefinite leave to remain) and Tier 2 was green on the Risk Register, the Committee queried the inclusion of Tier 2 in the internal audit schedule.   In response, the University noted that possession of a Tier 2 licence, even if there were no Tier 2 staff, carried a requirement to have the necessary systems in place. In addition, the audit was felt to be helpful should the University re-apply for a Tier 4 licence.

The infrastructure/space management review had been deferred to allow the new automated timetabling system to become embedded. The HR Strategy and Delivery review had been removed as it was anticipated that the HR strategy might change in response to the new Strategic Plan. The Change Management/Organisational Change review had been removed because the only area applicable was the SEAtS project for student retention, which would be considered under a separate audit.

The CFO noted that each year there was an audit of an aspect of IT and for the coming year this was covered under business continuity. For the future,

it was hoped to systematise the internal audit coverage of IT over a three year cycle.

It was suggested that the University might wish to cover safeguarding in the internal audit programme.

Action   Chief Financial Officer/BDO

Resolved: AC 6/19

To approve the internal audit strategy for 2019/20

6.   Financial Regulations (AC 9/19)

The Committee noted that the University's financial regulations were based on a model set of financial regulations produced by CIPFA for FE/HE institutions and issued in 2013. As the model had not been updated since the last review of the Financial Regulations in 2015, no significant changes had been made to the Policy. Minor changes had been made in order to reflect changes to structures and titles and the move to the Office of Students as the regulatory body. The University's external and internal auditors had been invited to provide feedback on its regulations. The revised regulations were considered by the Finance and General Purposes Committee (FGPC) in May 2019 and it resolved to recommend them to Council for adoption. A draft of the regulations had been provided to members of the Audit Committee on 29th May 2019 and detailed feedback had been received from the Chair. Proposed changes, which were minor in nature, had been incorporated into the attached draft.

Discussion of the paper focussed on the tendering process and amendments were made by the Committee to paragraphs 12-16 on page 51 and to paragraph 41 on page 54. There was also a discussion about the signatures required to open a bank account.

Some minor amendments were made in respect of titles and spellings.

Resolved AC 7/19

As amended, to recommend to Council that the Financial Regulations be adopted.

7.   Risk Management (AC 10/19)

7.1   Summary of Principal Risks

The Clerk to the Council introduced the summary of Principal Risks, drawing attention to the change in numbering of the risks following the removal of a risk.

The summary was noted.

7.2   Updated Risk Register as Reviewed by UOT

The University was required to have an active process for the control of risk and needs to report to Audit Committee on a regular basis (normally, 3 times per year). Before each Audit Committee meeting, risk owners reviewed their risks on the Risk Register and made any changes required. The University Operations Team was then responsible for considering the picture overall and for identifying comments to be made to the Audit Committee if appropriate.

The Committee asked whether the Risk Register was a good reflection of the matters of most concern to the University's management. In response, the Acting Vice-Chancellor confirmed that it was. However, he noted that it was important to constantly be alert to the possibility of new and unforeseen risks or for changes in the status of existing risks.

The Clerk to the Council reported that it was intended to have an entirely fresh look at the risks faced by the University and that this exercise would probably take place during the development of the new Strategic Plan.

Resolved AC 8/19

To approve the Risk Register.

7.3 Statement of Strategic Objectives aligned to Risks

The report was noted.

8. External Audit Strategy for Year Ending 31 July 2019 – Audit Plan (AC 11/19)

Mr Devitt advised the Committee on the key elements of the proposed audit plan for the financial statements of the University and Newman Firmtrust Ltd for the year ending 31st July 2019. He advised of the risks identified and of the approach to materiality to be used. He drew attention to the non-audit services provided by Grant Thornton to the University and the actions taken to ensure that independence was retained.

The Committee noted the report.

9. Audit Committee Annual Report (AC 12/19)

The Clerk to the Council reminded the Committee of the requirement for the Audit Committee to produce an annual report which was anticipated to be due in November 2019. The OfS had not provided any feedback and the Clerk therefore recommended the use of the same format as in recent years. , As part of the background briefing when submitting the report to Council, the Audit Committee made some reflective comments. This format was well received by Council and the Clerk recommended using the same format this year. Last year's report was attached for reference.

Matters arising during consideration were as follows:

It was suggested that a column be added to the table of internal audit recommendations to include both design and control.

Action   Clerk to the Council

The Chair reported that Council had asked whether the audit opinion comments could be mapped to the Letter of Representation in order to provide Council with full assurance to sign the Letter of Representation.   In discussion, it was felt that there was no simple way to link the two, but that a one page checklist could be provided from University management to the Council.

Action   Chief Financial Officer

Resolved AC 9/19

With the changes discussed above, to approve the proposed format and content of the Committee's Annual Report to the Council.

10.   **Data Protection Update (AC 13/19)**

The Clerk to the Council noted that at the last meeting it had been agreed that the Data Protection Project Co-ordinator (DPPC) would attend to give an update on progress with the project. However, due to changed circumstances, a written update had been provided for the Committee. The Clerk to the Council highlighted that there had been nine data subject access requests (DSAR) since the last meeting of the Committee. Responding to these requests had been a priority as well as an extremely time-consuming exercise for both the Data Protection team and senior staff. Consequently, work in the areas remaining in the project that needed further progress had been delayed. The DPPC's secondment ended in September 2019 and the University now felt that there needed to be a permanent member of staff and would be advertising the post of Information Governance Manager; the post-holder would also be the designated Data Protection Officer (DPO). Part of the strategic responsibilities of this role would be to continue to develop a culture of authority, judgement and assurance within departments and Deaneries.

The Committee asked whether there were any underlying themes or issues to the rise in the number of DSARs received this year. The Clerk to the Council said that there did not appear to be any underlying themes.

The Committee noted the report, which gave an update on areas of the project still in progress: culture, third party contracts, data protection impact assessments, records management, and information security.

11.   **OfS Ongoing Conditions of Registration – Tracker (AC 14/19)**

The Committee received the Tracker which the University's Operations Team (UOT) had in place to monitor the University's compliance with the OfS conditions of registration and work underway to maintain this. This was a living document with UOT members providing updates as actions were completed and it was reviewed quarterly by UOT.

The Committee noted the report.

12.   **Prevent Duty – Outcome Letter (AC 15/19)**

The Committee received a report advising that following the submission of its Prevent Report to the OfS in December 2018, the OfS has concluded that the University has demonstrated due regard to the Prevent Duty and that the University was not at higher risk of non-compliance with Prevent. Consequently, the University, along with all other institutions at this level of judgment (the lowest level of risk), would be included in the sample population for Prevent Review Meetings.

The Committee noted the report.

13.   Value for Money Report (AC 16/19)

The Committee received, for information, a report advising on measures taken to ensure value for money in procurement.

The Committee noted the successes of one firm in the tendering process. The CFO explained that their tenders were all at a good price and the firm was a local firm and a reliable supplier. He noted that the procurement policy had been followed and sealed envelope bids submitted and that the process was transparent.

The report was noted.

14.   Any Other Business

There was no other business.

15.   Date of the Next Meeting

Tuesday 12th November 2019

Restricted Minute

The external and internal auditors left the meeting for this item.

NEWMAN UNIVERSITY
COUNCIL
AUDIT COMMITTEE

Action Plan from the meeting of the Audit Committee held on 20th June 2019

Minute	Agenda Item	Action to be Taken	Person Responsible
5.2.2	Internal Audit Report (ITE Compliance)	To put specific date for the implementation of recommendation 3. To consider whether ITE should be placed on the Risk Register.	Clerk to the Council Clerk to the Council
5.2.3	Internal Audit Report (Cyber Security)	Specific dates to be included for the implementation of recommendations. Breach of PCI DSS	CFO/Director of IT Services BDO
5.3	Internal Audit Decision Tracker	To shorten and focus document as agreed. To add specific date of completion of the implementation of recommendations	Clerk to the Council Clerk to the Council
5.4	Internal Audit Strategy	Systemisation of three year rolling programme for internal audit of IT.	CFO/BDO
9	Audit Committee Annual Report	To add a column to table of recommendations as agreed To provide one page document to link audit findings with Letter of Representation.	Clerk to the Council CFO