

## NEWMAN UNIVERSITY

### Audit Committee

Minutes of the Meeting held on Tuesday 12<sup>th</sup> November 2019 at 4pm  
in The Library, The Priory Rooms, Bull Street, Birmingham

#### Present:

|                     |       |
|---------------------|-------|
| Mr Phillip Lennon   | Chair |
| Mr Glen Alexander   |       |
| Ms Deirdre Finucane |       |
| Ms Julie Jones      |       |

#### In Attendance:

|                        |                                    |
|------------------------|------------------------------------|
| Ms Andrea Bolshaw      | Clerk to the Council               |
| Professor Peter Childs | Acting Vice-Chancellor             |
| Ms Diane Oldaker       | Head of Finance                    |
| Mr Tony Sharma         | Chief Financial Officer            |
| Mr Ryan Pring          | BDO (Internal Auditors)            |
| Mr Bill Devitt         | Grant Thornton (External Auditors) |
| Mr Jim McLarnon        | Grant Thornton (External Auditors) |
| <br>                   |                                    |
| Ms Jackie Flowers      | Minute Secretary                   |

#### 1. Apologies

Apologies for absence were received from Ms Ruth Ireland (BDO)

#### 2. Standing Item: Declarations of Interest

There were no declarations of interest.

#### 3. Minutes of the Meeting held on 20<sup>th</sup> June 2019 (AC 2M/19)

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

#### 4. Matters Arising from the Minutes

##### *Minute 5.2.2 – Internal Audit Report (IT Compliance)*

The Clerk to the Council (the Clerk) reported that a specific date had been included for the implementation of recommendation 3. It had been decided not to place ITE on the Risk Register.

##### *Minute 5.2.3 - Internal Audit Report (Cyber Security)*

The CFO confirmed that specific dates for the completion of recommendations had now been included.

Mr Pring clarified that the concern mentioned related to a breach of the internal University policy and not to the PCI-DSS Standard.

*Minute 5.3 – Internal Audit Decision Tracker*

This item would be brought to the next meeting.

**Action** the Clerk

*Minute 5.4 – Internal Audit Strategy*

It was reported that the CFO and BDO were considering a document containing proposals for the formalisation of a three year rolling programme for the internal audit of IT.

*Minute 9 – Audit Committee Annual Report*

The Annual Report was on the agenda at item 9 below.

*Minute 10 – Data Protection Update*

The Clerk introduced a paper giving an update on progress with the Data Protection project. She reported that following the end of the 18-month seconded GDPR project co-ordinator role the University had established a permanent post - Information Governance Manager (IGM), which included the role of Data Protection Officer, and that Ms Jude Sloan had been appointed to this post following open competition. The IGM would carry forward the work started during the seconded role: third party contracts, data protection impact assessments and records management. Further priorities would be set as the role developed.

The Clerk drew attention to the workload arising from the increasing number of Data Subject Access Requests and the necessity of priority being given to these requests as they had to be turned around in 30 days.

There would be a further report at the next meeting of the Committee.

**Action:** the Clerk

**5. Review Terms of Reference of the Audit Committee (AC 18/19)**

The Clerk advised that the Committee was required to review its Terms of Reference (ToR) annually. The ToR were updated in 2018 to reflect current best practice in governance.

It was agreed that there should be additions to para 19.3.7 in respect of the Committee's role in assuring the independence of external auditors and of approving the level of non-audit fees. It was noted that this happened in practice but was not included in the ToR.

**Resolved AC 17/19**

With the above amendment to recommend to Council that these Terms of Reference be approved.

### Post meeting note

Arising from discussions after the meeting, the need for clarification of the meaning of 'external' in para 19.2 of the ToR. A proposed change to the wording was suggested, as below.

*19.2 The quorum for meetings of the Committee shall be two Members who are independent members of the University Council appointed under Article 8.1.4.*

**Action:** Clerk

## 6. External Audit Reports

### 6a Audit Findings Report from Grant Thornton (AC 19/19)

The External Auditors took the Committee through the Audit Findings Report which covered both Newman University and Newman Firmtrust. It was confirmed that no significant issues were raised in the report. Attention was drawn to the three outstanding matters: one of these (the review of the annual HESA student numbers return and agreement to figures disclosed in the financial statements) had now been completed. The other two matters were the receipt of the signed Letter of Representation and final consideration of post balance sheet events. Subject to these two items, the auditors conformed that they expected to issue a clean audit opinion.

The control deficiency identified in the journal entry processes last year had been addressed.

Management had taken action in the revised accounts in respect of a misclassification of an item of grant income.

Referring to the non-audit work carried out by Grant Thornton (corporation tax work for Newman Firmtrust and the University debt re-financing), the auditors confirmed that there were no significant facts or matters that impacted on Grant Thornton's independence as auditors.

The Committee received the draft Audit Findings Report.

### 6b Letters of Representation to be provided to Grant Thornton (AC 20/19)

The Committee noted that Grant Thornton (the external auditor) required a standard Letter of Representation from the University Council which gave a number of assurances from the Council to Grant Thornton.

A draft of the Letter of Representation to be provided by the Board of Newman Firmtrust was also provided for information. The CFO reminded

Committee members that last year Council had asked for additional information to be given to inform the assurances it was providing. Practice across the sector for this was not standard. The CFO had therefore prepared a supporting spreadsheet showing the items and showing how the organisation delivered them. There were two omissions but these would be completed for the paper to be presented to Council for approval at its meeting on 26<sup>th</sup> November 2019.

#### **Resolved AC 18/19**

to recommend to Council that the Letter of Representation and the basis for Council Assurance be approved.

**Action:** Clerk

## **7. Accounts**

### **7a Draft Newman University Accounts for Year Ended 31<sup>st</sup> July 2019 (AC 21/19)**

The draft University Accounts for the year ended 31<sup>st</sup> July 2019 were reviewed. The CFO reported that the financial statements would be presented for approval to Council on 26<sup>th</sup> November 2019.

During discussion the following points arose. For OfS compliance, the CFO had prepared a statement of justification on the Vice-Chancellor's remuneration. Committee members commented on the ratio of pay to income and the control of pay costs. It was noted that when the Strategic Framework was completed the supporting strategies would be considered and that the KPIs, including the pay to income ratio, would be reviewed.

It was agreed that in section 7, page 32 the external audit fees should be itemised and separated.

**Action:** CFO / Grant Thornton

#### **Resolved AC 19/19**

- 1) to recommend to Council that the draft financial statements be approved.
- 2) to note the high likelihood that changes to format would be made to reflect the new OfS template and to delegate to the Chair the authority to approve the new completed template on behalf of the Committee.

**7b Newman Firmtrust Limited Financial Statements (AC 22/19)**

The Committee considered the Newman Firmtrust Financial Statements for 2018/19. The CFO reported that the statutory accounts had been prepared and audited and that the only material transaction related to the payment of a retention to the University and building contractor. Following the review by this Committee the accounts would be considered for approval by the Newman Firmtrust Directors. It was likely that there would be one further set of accounts (for 2019/20) and that the company would then become dormant.

The Committee received the paper.

**7c OfS Accounts Direction 2019/20 (AC 23/19)**

The CFO introduced the OfS Accounts Direction for 2019/20. He explained that the OfS had published a revised Accounts Direction on 25<sup>th</sup> October 2019. The main changes were in respect of: further clarification on senior pay disclosure; new requirements relating to expenditure arising from the Access and Participation Plan; and, clarification on the adoption of the HE/FE SORP. The University expected to be compliant with the Accounts Direction for 2019/20 and future years.

The report was noted.

**8. Internal Audit Reports (AC 24/19)****8a Marketing Audit**

The audit had reviewed the marketing strategy and objectives, as well as any supporting marketing policies and procedures. It assessed whether there were targets in place for the Marketing Department and their alignment with similar organisations. It reviewed the tracking and monitoring of the performance of marketing activity from a sample of recent reports.

The audit gave limited assurance over the design of the controls in place because policies, procedures and the Marketing Strategy were all in draft format; further, there was a lack of documented KPIs for the Marketing Department. The audit provided substantial assurance over the operational effectiveness of controls in place for marketing and recruitment activities. Three areas of good practice had been highlighted; three findings of medium significance and one of low significance had been identified. There was an additional finding relating to the marketing techniques used by the University, including a required update to the current CRM system. In their response management had accepted the recommendations. However, in respect of marketing techniques the Director of Marketing did not feel that classified advertising was beneficial as an effective mechanism to attract students.

During discussion, the Committee felt that whilst the Marketing team could be disappointed at the limited assurance on design, it had to be taken into

account that the audit report was a snapshot at a time of cultural change in marketing at the University. The new discrete Marketing function had been in existence for only three years and previously there had not been a corporate marketing function. The Committee noted the work undertaken by the Director of Marketing in establishing and developing the work of the Marketing Office and in linking up with the work of the Admissions Office. The staff of the Marketing team were highly motivated. The Audit report should be seen as a basis from which to move forward. KPIs were likely to emerge from the marketing strategy following the completion of the Strategic Framework.

The time lapsed between the completion of the audit and the signing-off of the report was noted. Mr Pring advised that the auditors worked to a seven-week time frame from the close of the audit to the final report. In this case, there had had to be a delay because of the Director of Marketing's responsibilities during confirmation and clearing. He confirmed that if it emerged during an audit that a 'no assurance' decision was likely, the University would be notified immediately and before the completion of the report.

#### **Resolved AC 20/19**

To approve the internal audit report on Marketing

#### **8b 2018/19 Internal Audit Annual Report**

Mr Pring introduced the Annual Internal Audit Report for 2018/19. The Plan had been approved by the Audit Committee in June 2018 and the Report summarised the findings of the internal audit work undertaken from the twelve-month period from 1<sup>st</sup> August 2018 to 31<sup>st</sup> July 2019. All reports relating to the audits completed had been completed and issued as final. At the request of University management there had been a change in the focus of the Data Quality audit as there was still a delay to the HESA Data Futures programme and the impact of it on the University could not therefore be assessed or audited.

During discussion, the following points were noted. Although there were difficulties in making comparisons between years, across audits the University had consistently achieved 80% for operational effectiveness. In respect of the areas of limited assurance, most HEIS had limited assurance for Cyber Security. The operational effectiveness found in the Marketing audit showed that what was being done was done well. The CMA element of Marketing had been reviewed in another internal audit and had received substantial assurance. This latter was felt to be the more critical from the point of view of the OfS.

The Committee received the report.

#### **8c Follow Up Report**

The Committee was reminded that as part of the provision of continual assurance for controls, a review had been carried out on the implementation

of the recommendations made in previous years. The methodology for ascertaining the degree of implementation achieved was also noted. From the internal reports issued between 2015/16 and 2018/19 seven recommendations, all of medium significance, had been followed up. Of these seven recommendations, one had been fully implemented. Limited progress had been made in addressing the outstanding recommendations.

In discussion of the outstanding recommendations, the Committee noted that HR management had confirmed that it did not plan to implement the internal audit recommendation made in the 2016/17 HR review which related to the creation of KPIs. Committee members agreed that they would expect recommendations to be followed through or, if the recommendation was not felt appropriate, there should be a dialogue and the Committee to be advised of the reason for non-compliance. The Committee agreed that it was not content to accept the risk identified without an explanation. It further noted that in this particular case, the creation of KPIs was not funding dependent.

**Action:** Clerk

The Committee felt that there was a need for completion dates of recommendations always to have a realistic but firm date for completion. It also considered that the timing of reports was important.

## **9. Draft Audit Committee Annual Report to Council, including Reflective Statement (AC 25/19)**

The Committee considered the draft Audit Committee Annual Report which is submitted to Council after the end of each audit cycle. It had to contain all the reassurances the Council was required to give to the OfS and would form part of the documents sent to the OfS as part of the Annual Accountability Returns for 2018/19.

There was a discussion about the OfS's publication of a paper in October 2019 on Value for Money (VFM), noting that the OfS's view of VFM was wide ranging and was not solely concerned with efficiency and procurement but covered teaching quality, consumer information, and, fee and funding transparency.

The Committee then considered whether it should produce a separate reflective statement. It concluded that there was not, this year, the need for a general reflective statement.

**Action:** Clerk

### **Resolved AC 21/19**

To approve the Annual Report for submission to Council

The Committee thanked the Project, Policy and Governance Support Officer for her work on the report.

## 10. Risk Management (AC 26/19)

### 10a The Summary of Principal Risks

The Committee noted and received the Summary of Principal Risks

### 10b Updated Risk Register as Reviewed by UOT

The Committee considered the Updated Risk Register. The Clerk advised that there were not many changes in this iteration of the Register. UOT had discussed whether to reduce the number of risks and the need to align the Register with the new Strategic Framework.

There was a detailed discussion about the risk rating of Cyber Security; given the high risks involved, Committee members were of the view that there should be a clearer rationale for the rating of green, and believed that it should be rated at least at amber. It noted that from the experience of the internal auditors in the sector, cyber security risk was not rated green. The CFO outlined the reasons management produced a green rating and this related to the risk methodology employed by the University. A high materiality event had a low probability of occurrence and this generated a low score. The Score did not reflect management attitude to this risk and this was, for example, reflected in annual audits of IT related risks by the internal audit services and recent investments in cyber related mitigation, including insurance. The Committee felt it would be useful for the University to talk to their insurers about the type of event which would cause a costly uninsured loss.

**Action:** Clerk and CFO

The Committee also felt that consideration should be given to starting afresh rather than trying to adapt the current Register. It was important that there should be an alignment between the Register and the real concerns of the Vice-Chancellor and senior management.

### Resolved AC 22/19

To approve the Risk Register accordingly as per the University's management processes detailed above.

### 10c Statement of Strategic Objectives Aligned to Risks

The Committee noted and received the Statement of Strategic Objectives Aligned to Risks.

## 11. Prevent – Reporting to OfS (AC 27/19)

A Report concerning the University's actions in relation to the Prevent duty was introduced by the Clerk.

Discussion of the Report centred on an incident which had been referred to in detail in the Report and the actions taken to see whether it was a Prevent issue. The Clerk was confident that it was not a Prevent issue and the CTU had concurred. Two other Universities had been involved and neither of them had seen it as a Prevent matter. The Committee noted that the Clerk had taken all necessary actions to verify the situation and that this process was documented.

### **Resolved AC 23/19**

To approve the Report

#### **12. Value for Money Report (AC 28/19)**

Introducing the Report, the CFO explained that the OfS required HEIs regularly to publish clear information about its arrangements to ensure value for money (VFM). The VFM reports provided at meetings of the Committee gave evidence that VFM was being achieved. He drew attention to the OfS's VFM Strategy which had recently been published. The Committee noted that whereas the University's meaning of VFM related to procurement, the OfS's definition of VFM was much wider.

The Report was received for information.

#### **13. Data Quality Assurance (AC 29/19)**

The CFO advised of the requirement for the Committee to assure the OfS of the accuracy of the data given in the returns to external stakeholders made by the University. The paper outlined the work that the University had undertaken and the structures and processes that assisted in providing assurance.

The Committee noted the report.

#### **14. Opportunity for the Audit Committee to meet the Auditors without Senior Managers**

University Senior Managers left the meeting for this item.

Neither the internal nor external auditors raised any points of concern and both were complimentary of the staff and management of the University.

#### **15. Any Other Business**

There was no other business.

#### **16. Date of the Next Meeting**

Wednesday 26<sup>th</sup> February 2020

**NEWMAN UNIVERSITY  
COUNCIL  
AUDIT COMMITTEE**

Action Plan from the meeting of the Audit Committee held on 12<sup>th</sup> November 2019

| Minute | Agenda Item  | Action to be Taken                                   | Person Responsible |
|--------|--|--|--------------------|
| 4      | Matters Arising -<br>Internal Audit Decision Tracker                       | This item would be brought to the next meeting.      | The Clerk          |
| 4      | Matters Arising -<br>GDPR Update   | GDPR as item on next agenda.                         | The Clerk          |
| 5      | Terms of Reference   | Amended ToR to be submitted to Council               | The Clerk          |
| 6      | Letter of Representation   | To Council for approval                              | The Clerk          |
| 7a     | Draft Newman University Accounts for Year Ended 31 <sup>st</sup> July 2019 | Itemisation and separation of external audit fees.   | Grant Thornton/CFO |
| 8c     | Follow up Audit  | To follow up outstanding recommendation with HR.     | The Clerk          |
| 9      | Draft Audit Committee Annual Report to Council                             | To Council for approval                              | The Clerk          |
| 10b    | Updated Risk Register  | To discuss Cyber Security with University's Insurers | The Clerk/CFO      |