AUDIT COMMITTEE

9 NOVEMBER 2023

REDACTED MINUTES FOR PUBLICATION

A meeting of the Audit Committee was held via Zoom video conference from 10.00-11.45am on Thursday 9 November 2023.

Present:	Mr C Costigan (CC)	(Chair)
	Mr A Fraser (AF)	
	Dr S Jackson (SJ)	
	Prof. M Jones (MJ)	
	Prof. K Miller (KM)	
In attendance:	Ms H Al-Katib (HAK)	(for item 2.1 only)
	Mr T Bennett (TB)	(for item 2.2 only)
	Mrs J E Fawkes (JEF)	(UCEM Secretary)
	Mrs L Hughes (LH)	(Note taker)
	Ms L Kazandjian (LK)	(for item 4.1 only)
	Mr G Scott (GS)	(Trustee – observer)
	Mr A Wheaton (AW)	(Principal)
	Mr A Youell (AY)	(for item 2.4 and 3.1 only)
Apologies for absence:	Mrs H Kaur (HK)	
	Mr A Martin (AM)	

1) GENERAL MEETING GOVERNANCE

1278   1.1/ DECARATION OF ANY CONFLICTS OF INTEREST

1279   There were no conflicts of interest reported.

1280   1.2/ APOLOGIES FOR ABSENCE AND WELCOMES

1281   There were apologies for absence from Alastair Martin and Harps Kaur.

1282   It was noted that this was the first meeting to be chaired by Chris Costigan in his new capacity as Chair of the Audit Committee, taking over from Stephen Jackson who remains a committee member.

1283   The Chair welcomed Graeme Scott, Honorary Treasurer, to observe the meeting.

1284   **1.3/ MINUTES AND THE REDACTED MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 8 JUNE 2023**

1285   The minutes of the Audit Committee meeting held on 8 June 2023 (as included at paper 1.3) were **APPROVED** as a true record and signed by the Chair from the time of that meeting, Stephen Jackson.

1286   The redacted minutes of the Audit Committee meeting held on 8 June 2023 were reviewed and **APPROVED**. They were published on the UCEM webpage after the meeting.

1287   **1.4/ MATTERS ARISING AND ACTIONS SUMMARY**

1288   The summary showing the outcome of actions from the meetings held on 8 June 2023 (paper 1.4) was taken as read with the Committee noting that two actions remain ongoing (full implementation of all actions from the review into Ethical Risks, and the delayed reporting from the Academic Misconduct Quality Audit Group Audit which will now come forward in Spring 2024).

1289   **1.5/ AUDIT COMMITTEE ANNUAL REPORT 2022-23**

1290   The Committee reviewed the draft Audit Committee Annual Report for 2022-23 as presented at paper 1.5.

1291   The Committee commented that it was clear it had met its terms of reference throughout the year. It was also clear that the new focus on risk oversight was a positive step forward for the role and value of the Committee. REDACTED The Committee noted the turnover in membership and the potential quoracy challenges in 2024. A timetable is in place to address this.

1292   The Committee **PRE-APPROVED** the Audit Committee Annual Report 2022-23 for submission to the Board of Trustees on 30 November 2023 for final approval.

>   **ACTION:**   **Present the Audit Committee Annual Report 2022-23 to the Board of Trustees for approval on 30 November 2023. [LH]**

2) RISK MANAGEMENT

1293   **2.1/ UCEM RISK OVERVIEW**

1294   The Chair welcomed Hannah Al-Katib to the meeting.

1295   The Audit Committee considers risk at each of its meetings and accordingly reviewed the updated UCEM Risk Register at paper 2.1 and 2.1a which provided an overview since the last report to the Committee.

1296   HAK advised the Committee that two areas of strategic risk had reduced since the last reporting period – the potential impact of recession on student numbers and the lack of breadth in UCEM's provision. An accelerated plan is in place to introduce new programmes to UCEM's portfolio from Autumn 2024 and beyond. The risk to quoracy on the Board of Trustees has been increased given the turnover anticipated in 2024. Operational risks related to IT have reduced following progress on the IT

Recovery Programme work. UCEM is also undertaking work to source a new student enquiry and case management system. Financial risk with regards to End Point Assessment income is increasing due to lower-than-expected number of apprentices going through the gateway.

1297   HAK also included the SLT's SWOT and PESTLE analysis in support of the new strategic plan in paper 2.1 for the information of the Committee. HAK has cross-referenced the threats that were identified through the SWOT to ensure they are captured in the Risk Register if appropriate. There was nothing identified that was felt needed to be added to the Register at this time and the justifications for these decisions are included in the paper. The exercise was considered reassuring and useful. This type of exercise will be repeated in the annual planning cycle going forward.

1298   MJ proposed again that UCEM captures, maps and tracks opportunities as well as threats. HAK assured the Committee that this would be captured as part of the annual planning cycle and will be presented to the Committee then once the best way to document them has been considered in the wider context, such as commercial sensitivity.

1299   The Committee noted that UCEM's risk appetite statement in relation to opportunities had not been reviewed for approximately two years and suggested this would be a useful consideration for the next meeting of the Committee.

ACTION: **Bring a review of UCEM's Risk Statement/Appetite to the next meeting of the Committee. [HAK/JEF]**

1300   AF queried why UCEM has not included the potential impact of Artificial Intelligence on its students and its business within the Register. UCEM is watching this institutionally as both a risk and opportunity but is not ready to quantify it as yet. It will be important to be seen to be adapting to it within the curriculum and learning design as employers will expect this as the industry itself adapts to make greater use of AI. There is also the potential to make use of AI in back-office functions for cost saving that will need to be explored for potential efficiency gains. It was agreed that whilst it should not be added to the risk register now, and is arguably more of an opportunity, some horizon-scanning around how AI might affect the built environment sector and how UCEM can be agile to this would be really useful for UCEM.

1301   Finally, the Committee suggested that the threat around buying power of employers should be reviewed again for whether it might best be added to the risk register. HAK will consider this with Stephen Bartle ahead of the next meeting.

1302   The Committee **NOTED** the updated risk register and **AGREED** with the identification of the risks presented and the mitigations put in place where required.

1303   The Chair thanked HAK for her contribution and invited her to leave the meeting.

1304   **2.2/ RISK DISCUSSION ITEM: UCEM ASIA LTD**

1305   The Chair welcomed Tim Bennett to the meeting.

1306   TB introduced paper 2.2, on risks associated with UCEM's continued operations in Hong Kong and the actions being undertaken to mitigate perceived risks. The report provided full contextualisation of the Hong Kong environment with regards to current and potential risks that might occur. REDACTED

1307   REDACTED. The other key areas of risk were summarised under the headings compliance/regulatory, operational, academic and reputational.

1308   The Committee welcomed the paper and the opportunity to take a deep dive into this area of the business. The Committee was surprised to learn that 50% of UCEM's international students are from Hong Kong alone and that 25% of UCEM's B2C students are from Hong Kong.

1309   The politics in the region and their potential impact for UCEM were discussed. Hong Kong is pushing for growth right now, which aligns with Beijing policy. The UCEM Asia Ltd Board regularly discusses this and is trying to determine when decisions may or may not be required. REDACTED There are no clear answers at present on next steps, but UCEM is working to agree the right strategy within the next two years.

1310   The risk of inaccessibility of the VLE to Hong Kong students was considered. REDACTED

1311   The Committee noted that staff numbers in the UCEM Asia Ltd office are small and that UCEM is fairly reliant on one individual who will retire at the end of 2025. UCEM is working on a plan for how best to structure the team in the future. Retaining an office in the locality is important for visibility, continuity and security.

1312   The Committee **NOTED** the potential risks in UCEM's Hong Kong operations and agreed that the current mitigations are appropriate. The Committee is looking forward to receiving regular further updates in the future.

1313   The Chair thanked TB for his contribution and invited him to leave the meeting.

1314   2.3/ RISK DISCUSSION ITEM: UCEM STAFF COSTS

1315   JEF introduced paper 2.3 on staff costs and the mitigations being put in place to reduce the ratio between income and costs in future years. The data provided shows UCEM's staff costs as a proportion of income over the last six years and comparators with HESA data from other institutions. UCEM does have one of the highest percentages but does operate on a very different model to most institutions. REDACTED

1316   REDACTED This work links with the operational optimisation theme of the next strategic plan delivery period and the productivity and efficiency gains UCEM wishes to realise. The focus of this work will be technology enablement, HR (People and Talent Strategy), workplace in a post-pandemic world and financial (enhanced profitability analysis).

1317   The Committee also cautioned that costs can still increase if revenue does, it is about understanding the relationship better and ensuring they only rise where UCEM is making the right investments back into the business.

1318   REDACTED

1319   The Committee **NOTED** the current level of UCEM staff costs in comparison to income and the measures being put in place to control this for 2023-24 and beyond. The Committee welcomed the visibility to this matter and **AGREED** it would continue to monitor this area of risk working closely with the Finance Committee.

1320   2.4/ RISK DISCUSSION ITEM: IT AND SYSTEMS

1321   The Chair welcomed Andy Youell to the meeting for item 2.4.

1322   AY introduced paper 2.4 on UCEM's ongoing IT and systems work. The Committee was reminded that this was presented as a risk discussion item back in March 2023 and that significant work was required to mitigate the risks. Paper 2.4 provided an update on the work undertaken since then.

1323   AY reported that UCEM is following a strategy of migrating core data systems to the cloud, which in turn changes the shape of UCEM's IT support requirements. This will give UCEM more resilience for the future and better value for money. The most significant work undertaken this year has been securing the future of the student record system. UCEM has recently signed a contract for new hosting and management arrangements with QuickThinkCloud following a period of significant outages over the summer as a result of the out-dated current system. UCEM has chosen a medium-term option, signing a 3-year contract, and the migration project will take between 4 and 6 months to complete. REDACTED

1324   The Committee expressed some concern about looking system by system rather than at the digital architecture as a whole. AY explained that UCEM is in a recovery position currently as it had been carrying significant risks. The aim had to be to drive out the risk and secure a stable operating position. A review has been commissioned on IT governance and planning overall but to date limited progress has been made in these areas. The aim will be to have progressed this within the next year.

1325   AY also reported that UCEM is also moving its file server to Microsoft Azure in the cloud in the first half of 2024. He also reported that Multi Factor Authentication is almost fully rolled out to all UCEM users – it will go live with the Trustees next week. This is part of UCEM securing Cyber Essentials Plus accreditation in December 2023 (under updated assessment criteria).

1326   The Committee **NOTED** the progress made on addressing the key risks faced in IT and systems at UCEM. The Committee welcomed the additional security measures being put in place, including Multi Factor Authentication for the Trustee Portal. The Committee thanked AY for his work to date – the risks remain but have been substantially reduced.

3) AUDITS

1327   3.1/ AUDIT ON DATA PROTECTION AND GDPR

1328   AY presented paper 3.1 on the outcomes of an audit on Data Protection and GDPR performance, five years on from the introduction of the GDPR. The audit was undertaken by Uniac and their full report was provided at paper 3.1a. AY reminded the committee of the scope of the audit which included the Data Protection Policies

UCEM has in place and the Regulatory Compliance Risks. AY also reminded the Committee that it was decided to exclude areas related to security measures, third party processing, training & awareness and data processing & retention because they were considered lower risk or covered through other work streams.

1329   AY reported that UCEM achieved a reasonable level of risk assurance as a result of the audit with no high-risk findings and a few moderate risks that will be addressed through the resultant action plan. Overall, there is nothing for the Committee to be concerned about – UCEM operate with a low rate of security breaches and continues to have a high level of awareness of GDPR institutionally.

1330   The Committee noted that the largest number of data breaches have taken place in the apprenticeships department, though the total number is still not significant. They occur largely due to human error in typing email addresses. AY has spoken with this team and is content with the response. It is further hoped that automation and systems improvements will reduce the error rate in the future.

1331   The Committee **ACCEPTED** the audit report and findings by Uniac and **NOTED** the recommendations are being implemented. AY will report back at the next meeting on progress in completing all actions.

1332   The Chair thanked AY for his contribution and invited him to leave the meeting.

4) OFFICE FOR STUDENTS COMPLIANCE

1333   4.1/ SAFEGUARDING AND PREVENT DUTY COMPLIANCE AND REPORT 2022-23

1334   The Chair welcomed Lucy Kazandjian to the meeting for item 4.1.

1335   LK presented paper 4.1 which provided an overview of UCEM's work to meet the Prevent Duty in 2022-23. The report also covered Safeguarding due to UCEM's responsibilities as an institution regulated by Ofsted. A new SITS feature is logging and tracking safeguarding data which has meant a wealth of additional data analysis has been possible this year.

1336   Overall, LK reported that the safeguarding case load remains steady. The number of apprenticeship cases is decreasing but non-apprenticeship cases are increasing. The role of AOO in regular student contact and pastoral support may be a factor in this. The majority of cases are undergraduate students. Mental health issues remain the biggest area of concern, though housing and financial concerns have increased significantly on previous years. UCEM has a Hardship Fund to support students with financial difficulties and provides advice about other charitable organisations that can also help.

1337   LK reported that there had been no formal Prevent referrals this year, but UCEM sought advice from its Prevent coordinator on one occasion. Overall, students at UCEM remain safe and well supported, with a team continually seeking to enhance there provision wherever possible.

1338   LK reported that next year, UCEM hopes the increased data will allow analysis by student outcomes. UCEM will be updating and refreshing staff training and

continuing to embed the work on the Mental Health Strategy. The team will also be supporting further training for safeguarding team members.

1339   The Committee suggested that the degree of pastoral support that academic staff can provide be reviewed to help reduce the increasing safeguarding instances in non-apprenticeship students.

1340   The Committee queried the high volume of staff recorded in the Prevent Return that are 'key' to the duty. UCEM has traditionally reported all staff and ensured all staff are trained in Prevent. It was suggested this be reviewed to those who really are 'key' to the delivery of compliance with the duty. It will be discussed between LK and CC (as the Lead Trustee for Safeguarding) who will report back to the Committee in due course.

> **ACTION:**   **Review the methodology behind the number of staff reported as 'key' to compliance with the Prevent Duty and recorded on the Annual Return as such. [LK/CC]**

1341   The Committee welcomed the comprehensive report which gave the Committee assurance UCEM is managing these areas well. The Committee **PRE-APPROVED** the Prevent Duty report 2022-23 ahead of Board of Trustees final approval and submission to the Office for Student by 1 December 2023.

> **ACTION:**   **Present the Prevent Duty report to the Board of Trustees for final approval and sign-off on 30 November 2023. [LH]**

1342   The Chair thanked LK for her contribution and invited her to leave the meeting.

5) ANY OTHER BUSINESS

1343   5/ ANY OTHER BUSINESS

1344   The Committee noted the paper provided for report at item 7.1 - the Institutional Audit Plan 2023-25.

1345   The Chair thanked Alex Fraser for serving on the Audit Committee for six years as External Representative. AF's term of office ends at this meeting. A gift and card were sent to AF ahead of the meeting. In response AF paid tribute to AW/JEF/LH for how they have nurtured the development of this Committee and commented that the transparency of interaction is laudable. He thanked UCEM for the opportunity to be involved and wished the Committee and the wider institution well for the future.

1346   It was **NOTED** that Alastair Martin's term of office as a Trustee will end on 30 November 2023. In absentia, the members expressed their formal thanks to Alastair for his role on the Committee over the last six years.

1347   It was **NOTED** that Kenny Miller's term of office as a Trustee will end on 18 April 2024 and that this was therefore his last meeting as a committee member. The members expressed their formal thanks to Kenny for his role on the Committee since its inception in 2017.

1348   Finally, the Committee **NOTED** that Harps Kaur would be leaving UCEM in December 2023 and consequently her role as Staff Trustee. She will therefore also no longer serve on the Audit Committee.

1349   It was **NOTED** that the University College Secretary will be working on maintaining quoracy and expertise on the Committee through early 2024 ahead of the next meeting in May 2024.

1350   There were no other matters of business raised.

6) CLOSE

1351   The Chair thanked the Committee for the discussions and closed the meeting at 11.37am.

Date of next meeting:
23 May 2024

Signed

Name   Chris Costigan

Position   Chair of Audit Committee

Date   23 May 2024