



AUDIT COMMITTEE

24 May 2021 - via Microsoft Teams (including video link)

CONFIRMED SUMMARY MINUTES

Contact Georgina Bailes, georgina.bailes@northumbria.ac.uk, Secretary to the Board of Governors, with any queries about these Summary Minutes.

Present: J Bromiley (Chair), A Corfield, P Judge, S Pelham, A Rice-Thomson
Apologies: Not applicable
Secretary: G Bailes, M Ritzmann (Assistant Secretary)
In attendance: Dr S Corbett, J Embley [AC20/78], Professor T Lawson, D Lister (EY) [AC20/79], Professor G Marston [AC20/78-79], M Mason (EY) [AC20/72-81], D Monnery, A Munro [AC20/79], S Newitt, C Partridge (KPMG) [AC20/72-81], S Reid (EY) [AC20/72-81], A Thomas (KPMG) [AC20/72-81], Professor A Wathey.

1. Introduction, Meeting Record, Reporting and Context

Matters Arising/Summary Action List [AC20/72]

The Committee considered progress in the implementation of previously agreed actions. **It was confirmed that a presentation on procurement activity supporting the achievement of Value for Money (VfM) had been added to the Committee's 2021/22 Agenda Plan for the 13 September 2021 Audit Committee in the form of a specific agenda item or pre-meeting session. The Director of Human Resources and Organisational Development would provide a progress update against the Wellbeing actions alongside the presentation of the Health, Safety and Wellbeing Report Q3 2020/21 later on the meeting agenda. The University had gone back out to recruitment for an additional co-opted Audit Committee member with the aim of identifying potential candidates with the requisite skills required by the Committee and a further update would be provided to the 13 September 2021 Audit Committee.**

Vice-Chancellor's Horizon Scanning [Oral Report]

The Vice-Chancellor and Chief Executive presented on sector wide matters and the implications of these for the University. **The Committee commended the informative and comprehensive update and noted both the challenge and importance of keeping abreast of, and managing, the changeable set of risks faced by both the University and the sector as a whole over what was expected to be a volatile summer period in particular. It was confirmed that relevant University Groups were giving this the appropriate level of attention, including work led by Strategic Planning and Performance and Finance on the corresponding financial impacts, uncertainties and associated budget contingencies associated with a range of scenarios that were being planned for.**

2. External Audit

Audit Plan 2020/21 [AC20/73]

The Committee considered the External Audit Plan for 2020/21. Materiality had been set at a level consistent with 2019/20. Significant risks that the audit was required to consider were valuation of Local Government Pension Scheme (LPGS) pension liabilities, fraud risk from revenue recognition and management override of controls. Other areas of audit focus included going concern, which had been downgraded from a significant risk compared to the previous year in response to the changes to the University's banking covenant(s). The audit fee with respect to Northumbria University Nursery Limited was still to be formally agreed, with the timing and scope of this audit for both group and statutory purposes the subject of ongoing discussion with management. Any significant changes to the scope would be the subject of management recommendation(s) for the Committee to conclude on. **The Committee noted that the anticipated ratio of non-audit fees to audit fees for the year at the time of planning was 0.21: 1. KPMG did not consider that the total non-audit fees created a self-interest and independence threat since the absolute level of fees was not significant to KPMG as a whole. Further, this ratio was significantly below KPMG's perceived trigger points (1:1 and 3:1) coupled with the fact that all non-audit work was subject to prior review and approval by the Partner, KPMG.**

3. Internal Audit 2020/21

Outstanding Audit Actions [AC20/74]

The Committee considered progress in the implementation of previously agreed audit actions. Of the 21 actions, eight were not yet falling due for implementation, 11 were reported as fully implemented and two

were reported as overdue against their agreed implementation dates. **The Committee: [i] commended progress in reducing the number of outstanding audit actions and that this be maintained, [ii] requested that action owners attended Committee meetings in respect of any and all requests to extend the deadlines of overdue audit actions and [iii] approved the extensions to the overdue audit actions arising from the Core Financial Controls and Competition and Markets Authority Compliance reviews.**

Internal Audit Progress Report 2020/21 and Audit Reports [AC20/75]

The Committee considered progress against the 2020/21 Internal Audit Plan since its 26 February 2021 meeting. The report arising from the review of Business Continuity was presented to this meeting of the Committee, as were the reports arising from phase one and phase two of the forensics work included later on the agenda. Following completion of year end testing, the report arising from the Core Financial Controls review would be presented to the September 2021 Audit Committee. The status of the remaining 2020/21 reviews was summarised in the report, including the scoping meetings to be arranged for the reviews of UKVI and IT Incident Management and Reporting. **The Committee noted progress against the 2020/21 Internal Audit Plan.**

Business Continuity Internal Audit Report [AC20/76]

The Committee considered the Business Continuity internal audit report. The review had sought to identify and review the Business Continuity arrangements that were in place prior to the cyber-incident, focusing on policies and procedures and controls both centrally and at a faculty/service level. The report was rated as high risk. The one high risk finding concerned the University having no central Business Continuity Plan in place and faculty/service level plans having not been tested since their inception. The three medium risk findings concerned the University not having dedicated Business Continuity resource in place, faculty and service plans had not been uploaded to the relevant University system/repository and these plans contained inconsistent levels of information, which had not been reviewed since their inception. **The Committee: [i] noted that the lessons learned from the cyber-incident would be a key component in developing the University's future Business Continuity arrangements, [ii] noted that management accepted the report findings and recommendations and in parallel, plans were already in place to put dedicated Business Continuity resource into Governance Services as part of the review and restructure of the team. This aligned with the transfer of University Executive level sponsorship of Business Continuity to the Director of Strategic Planning following the departure of the Deputy Vice-Chancellor, [iii] requested that an update on Business Continuity be reported to each Audit Committee as the work progressed, including proposals on how longer-term actions would be delivered in practice and ensure the work was on track to be delivered in line with the agreed timescales.**

4. Policy, Risk and Assurance

Committee of University Chairs Higher Education Audit Committees Code of Practice [AC20/77]

The Committee considered proposals to address perceived gaps, as well as opportunities for improvements and enhancements, in the University's compliance with the elements of the Committee of University Chairs Higher Education Audit Committee Code of Practice. The one area of non-compliance related to the induction of new Audit Committee members. **The Committee: [i] approved the proposals, including those that would be integrated into a broader programme work in response to the Governance Effectiveness Review and associated recommendations and suggestions and [ii] through a similar format to that presented here, confirmed that it wished to receive assurance in due course that the proposals had been implemented and full compliance achieved.**

Health, Safety and Wellbeing Report Q3 2020/21 [AC20/78]

The Committee noted the Health, Safety and Wellbeing Report February 2021 to April 2021. All buildings continued to be Covid secure. During the reporting period two external Faculty audits were carried out and no high risk items were raised. Mandatory training completion rates had improved now that the system was available and the alerts had been switched on. **The Committee: [i] reiterated its offer of support in the ongoing development of Health, Safety and Wellbeing reporting, [ii] welcomed the intention to include future external Health and Safety audit reports on the Committee's Part II Agenda provide a summary of the outcomes as part of the main agenda item, [iii] confirmed the continued importance of the completion of mandatory Health and Safety training by colleagues across all faculties and services, [iv] noted the assurance provided by the Director of Human Resources and Organisational Development on the progress against the Wellbeing related actions on the Committee's Summary Action List and the acknowledgement that there was more to do to set the Wellbeing section of the report in the context of the Strategy and Business Outcomes in this area, [v] recognised the University commitment to its Wellbeing agenda and that measuring the impact of this programme of**

work and associated initiatives therein was key in assessing whether the desired outcomes were being achieved in practice.

Reportable Incidents Summary [AC20/79] *RESERVED AND LEGALLY PRIVILEGED

- **EY Suspicious Activity Investigation Assurance Report Phase 1**
- **EY Suspicious Activity Investigation Assurance Report Phase 2**

The Committee considered the update on Reportable Incidents as at 14 May 2021.

Strategic Risk Register Update [AC20/80]

The Committee considered revisions to the University's Strategic Risks following review by University Executive and approval by the Boards of Governors on 26 April 2021 as part of the agreed six-monthly update cycle. Following the conclusion of the review and restructure of Governance Services, which would include the appointment of a Risk Manager, the Strategic Risk Register and the University's approach to Risk Management would be reviewed to identify improved ways of recording, monitoring and reporting Strategic Risks, including a tool that was easier to manage from a management and University Executive position. **The Committee: [i] noted that following the departure of the Deputy Vice-Chancellor, discussions were ongoing regarding which role holder(s) would replace them in appropriate cases as the risk owner and owner of future controls to be implemented, however ownership would broadly be split between the newly appointed Deputy Vice-Chancellor and Pro Vice-Chancellor (Education), [ii] questioned why risk SRR003 was expected to reduce by September 2021 given both the current and projected risk ratings were rated as Red (12) and [iii] offered its support to the University in reviewing and developing the Strategic Risk Register and its approach to Risk Management. It was key to ensure that both the mechanism and approach was agile in facilitating the management of a set of current risks and could react on a flexible and timely basis to a rapidly changing risk landscape.**

Committee Agenda Plan 2021/22 [AC20/81]

The Committee noted its 2021/22 Agenda Plan. As in previous years, **The Committee confirmed it wished to retain its informal meeting, albeit remotely, to discuss the financial statements ahead of their formal consideration at the Committee's ordinarily November meeting, avoiding the discussions as part of the former being trailed into the latter.**

Matters Arising [Oral Report] *RESERVED BUSINESS – Representatives of the Internal Auditors, EY and External Auditors, KPMG were asked to leave the meeting whilst this Agenda Item was discussed

The Committee considered a proposal and points for discussion concerning the internal audit contract for 2021/22 onwards.

Chair's Closing Remarks [Oral Report]

The Committee confirmed that [i] for the September 2021 Audit Committee onwards that the standing items (summary minutes, confidential minutes, reserved business minutes and summary action list) normally reported under Section 1 (Introduction, Meeting Record, Reporting and Context) at the start of the meeting, would be moved to end of future meeting agendas and [ii] the form, content and level of detail of the full minutes over and above the summary minutes should be subject to review, and that this would be considered as part of the University's response to the recent Governance Effectiveness Review to ensure any changes were consistently applied across the Board and all of its Committees.