

AUDIT COMMITTEE

9 December 2020 - via Microsoft Teams (including video link)

CONFIRMED SUMMARY MINUTES

Contact Susan O'Donnell, susan.odonnell@northumbria.ac.uk, Secretary to the Board of Governors, with any queries about these Summary Minutes.

Present: J Bromiley, A Corfield (Chair), D Jennings, P Judge, S Pelham, A Rice-Thomson
Apologies: A Thomas (KPMG)
Secretary: R Elliot (Acting Assistant Secretary), S F O'Donnell (Secretary), M Ritzmann (Assistant Secretary)
In attendance: Dr S Corbett [AC20/37-41], J Embley [AC20/48-49], Professor P Francis, P Ging (EY), S Kenny (EY), Professor G Marston [AC20/48-49], D Monnery, S Newitt, C Partridge (KPMG), S Reid (EY), Professor A Wathey

MAIN ITEMS DISCUSSED/DECIDED ON AT THE MEETING

1. **Internal Audit**
Outstanding Audit Actions [AC20/36]
 The Committee considered progress in the implementation of outstanding audit actions. No actions were categorised as overdue against their agreed implementation dates, with seven reported as fully implemented and 12 not yet falling due. **The Committee approved the extension of the Business Continuity action to 31 March 2021, requested that University Executive draft a plan to mitigate the residual risk relating to the Information Security audit action concerning laptop updates, for review by EY and the Committee. The positive direction of travel evidenced through the report was acknowledged; consideration should be given to identifying and recording where audit actions supported strategic objectives and strategic risks.**
- Internal Audit Progress Report and 2020/21 Progress Report [Oral Report]**
 The Committee considered progress against the 2019/20 Internal Audit Plan since its 2 November 2020 meeting. In line with the priorities outlined in the Interim Internal Audit Plan 2020/21, scoping meetings had been held for the Core Financial Controls, Business Continuity and UKVI reviews. Terms of Reference were being drafted and would be shared with management week commencing 14 December 2020 with fieldwork to commence in early January 2021 and reported to the February 2021 Audit Committee meeting. **The Committee noted the update.**
- IT Internal Audit Reports Management Overview [AC20/37]**
 It was agreed at the 2 November 2020 Audit Committee that management responses would be reviewed in collaboration with EY. **The Committee noted the additional context provided by management in respect of the three updated IT Internal Audit Reports and Actions Follow Up Review included on the Committee meeting agenda.**
- Updated Actions Follow Up Review Internal Audit Report [AC20/38]**
 The Committee considered the updated report. Following additional information and evidence from the IT Director, the majority of actions were sufficiently mitigated to be considered closed or superseded by actions resulting from the cyber incident or from the findings of the IT Patch Management review. In two cases, evidence of implementation would be confirmed in January/February 2021 once the necessary work had been completed. **The Committee noted the report and that the management and EY assessment of the audit actions status now aligned in all cases, and that, for superseded actions, the subsequent action appropriately addressed the original finding and associated risk.**
- Updated IT Patch Management Internal Audit Report [AC20/39]**
 The Committee considered the updated report. While the report remained rated high risk, similar findings had been grouped together to better facilitate the linked remediation activity required. **The**

Committee noted the management agreement of the findings and recommendations and the plans in place to deliver these in the expected timescales. The Committee was content that the report grading was appropriate in highlighting the need for action in this area but acknowledged the management view that this was not the most extreme situation, which would be a complete absence of patching.

Updated Modified Working Arrangements - IT Controls Internal Audit Report [AC20/40]

The Committee considered the updated report. The report had been downgraded to medium following review of the further mitigating controls information and actions had now been grouped together to aid remediation activity. **The Committee noted the importance of transparency around the reasons for the report rating change and noted that management had requested a targeted review of this area through an in-year alteration to the 2019/20 Internal Audit Plan. EY confirmed that it was considered good practice for management to highlight areas of concern/high risk for audit work but that this did not necessarily always result in high risk audit findings.**

Updated Non-IT Services Managed Websites Internal Audit Report [AC20/41]

The Committee considered the updated report. The report remained rated as medium risk and, at the request of management, included an additional finding and recommendation around an overarching governance framework that would effectively encompass the other findings within the report. **The Committee noted the confirmation that the report findings, recommendations and actions were consistent with the priorities set out in the IT Strategy in this area and that the audit had allowed exploration of the extent of work required and encouraged management to commence work on known/perceived risk areas ahead of related internal audit reports being finalised.**

Draft Internal Audit Annual Report and Opinion 2019/20 – Management Commentary [AC20/42]

The Committee noted the management commentary in respect of the draft Head of Internal Audit Annual Report and Opinion 2019/20. **The Committee noted management confirmation that there was no link between the findings of the IT Internal Audit Reports and the cause of the cyber incident and that both this and any qualification to the Internal Audit Opinion would be reflected in the Audit Committee Annual Report 2019/20 to Board and Statement of Internal Control (SIC) within the Annual Report and Financial Statements.**

Draft Internal Audit Annual Report and Opinion 2019/20 [AC20/42i]

The Committee considered the Internal Audit Annual Report and Opinion 2019/20, which was presented in draft owing to recent changes to Internal Audit reports presented to this Audit Committee and was subject, exceptionally, to EY panel consultation and confirmation before it could be finalised. **The Committee noted the management confirmation that attention would be given to addressing the causes of the draft qualification. The need for an additional Audit Committee meeting in early 2021 to consider the final Opinion would be confirmed once the final Opinion was received.**

2. External Audit and OfS Returns 2019/20

External Audit Report [AC20/43]

The Committee considered the draft External Audit Report for 2019/20. All material outstanding information had now been received by KPMG other than the final Letter of Variation for the University's bank covenants to confirm the use of the Going Concern basis of accounting, and outstanding minor aspects were not expected to raise concerns; KPMG would circulate the final version of the Report once this was complete. No qualifications to the audit opinions were expected. **The Committee noted that Employment and Finance Committee on 7 December had considered in detail the University's approach to confirming the use of the Going Concern basis of accounting through the prudent application to the Bank of England Covid Corporate Financing Facility and the proposed variation to the University's bank covenants for the year to 31 July 2021, had endorsed the approach and was confident that the use of the Going Concern basis was appropriate. The Committee noted the draft report.**

2019/20 Annual Report and Financial Statements [AC20/44 and AC20/44i]

The Committee considered the draft Annual Report and Financial Statements for 2019/20 that had been endorsed in terms of financial performance by Employment and Finance Committee on 7 December. Despite the pandemic, the 2019/20 financial performance meant that the short-term position was strong and headroom would be maintained; this was also likely to be the case for 2020/21 given strong

recruitment levels hence it was likely that headroom levels would be maintained and existing banking covenants achieved during 2020/21. The deployment of Covid vaccines globally was likely to mitigate some of the current risks around international recruitment. The longer-term stability of the University was not considered a significant risk but nevertheless, as noted under item AC20/43 above, short term confidence was required that the Going Concern basis of accounting could be supported by the external auditors, avoiding a scenario where longer-term stability was compromised by a modification to the audit opinion. The arrangements to achieve this were also noted above. The Statement on Internal Control would be finalised once the final Internal Audit Opinion had been received from EY (see item AC20/42 above). **The Committee endorsed the 2019/20 Annual Report and Financial Statements for approval by Board of Governors on 14 December 2020, subject to the resolution of the remaining outstanding items, and expressed its thanks to the University's Finance team and to KPMG's audit team.**

Prevent Duty Annual Report 2019/20 [AC20/45]

The Committee considered the Annual Report 2019/20; the OfS submission deadline had been extended to 18 January 2021 due to data access problems following the cyber incident; some data remained to be finalised before submission. OfS now required specific commentary on welfare arrangements and Prevent related measures arising from the pandemic. Increased national risks from online radicalisation, particularly since lockdown restrictions began, had been reflected in the Prevent Risk Assessment and local partnership working had improved. Student induction activity around wellbeing support had been enhanced, and anti-hate crime champions had been appointed. Planned training refresh had been delayed by Covid and then the cyber incident but was now underway. **The Committee noted the refresher training delays did not present additional risks and endorsed the Prevent Duty Annual Report 2019/20 for approval by Board of Governors on 14 December 2020.**

3. Policy, Risk and Assurance

Annual Value for Money Report [AC20/46]

The Committee considered the report, which was now more discursive following OfS's withdrawal of the quantitative Annual Efficiency Return, and took a more thematic, outcomes focused approach in line with the OfS VfM Strategy. The report considered how the University spent public money in an efficient and effective way, and how it could demonstrate value to students across a range of areas, including teaching quality, employability, and transparency, whilst ensuring students' rights as consumers were protected. **The Committee welcomed the new approach to reporting VfM and noted that the focus on outcomes was a more effective assessment of VfM than an analysis of unit costs, although cost benchmarking could still be valuable. The Committee commended the extent to which the report reflected the embedding of VfM considerations in the University's culture and endorsed the Annual Value for Money Report for approval by Board of Governors on 14 December 2020.**

Final Draft Audit Committee Annual Report 2019/20 [AC20/47]

The Committee considered the final draft Report which had been updated to reflect matters of the Committee's September, November and December 2020 meetings. Whilst it was no longer a requirement to submit an Audit Committee Annual Report to OfS, the Committee had previously confirmed that it remained a key part of its infrastructure, aligned to the good practice/governance set out in CUC HE Audit Committees Code of Practice. Sections on the 2019/20 Head of Internal Audit Annual Report and Opinion and 2019/20 External Audit Report were subject to confirmation and would be updated following finalisation of said reports. **The Committee endorsed the final draft report for submission to the Board of Governors on 14 December 2020, subject to the minor amendments highlighted by the Committee and inclusion of the draft External Audit Opinion; and noted that the report would be subject to final Audit Committee consideration and approval in January 2021 or sooner, following finalisation of the Internal and External Audit Opinions. The mechanisms for seeking and obtaining this approval would be confirmed in due course.**

Health, Safety and Wellbeing Annual Report 2019/20 [AC20/48]

The Committee considered the Health, Safety and Wellbeing Annual Report for 2019/20. The key focus for much of the year had been on the response to Covid-19; a Royal Society for the Prevention of Accidents (RoSPA) audit of Covid security noted City Campus as an exemplar of Covid-19 controls. Health and safety compliance and effectiveness was in line with the Health and Safety Policy and there were no concerns with regards to fire safety management, accidents, incidents or near misses and there

were no failures in relation to health and safety compliance. The University retained its RoSPA Gold Award and achieved third place in the competitive RoSPA Education and Training sector. Both the percentage of working time lost and the average number of working days lost per FTE had decreased compared to 2018/19, and both were below sector benchmarks. **The Committee noted the report and commended the forward plan of wellbeing activity for 2020/21 and requested that management consider similar health and safety initiatives.**

Health, Safety and Wellbeing Report Q1 2020/21 [AC20/49]

The Committee considered Health, Safety and Wellbeing Report August - October 2020. Health and safety compliance and effectiveness was in line with the Health and Safety Policy and there were no concerns relating to accidents, incidents or near misses. Following a review of some fire-related building defects unrelated to external cladding at a leased student accommodation, notified to the University by the landlord, Tyne and Wear Fire and Rescue Service and Gateshead Council had confirmed the blocks remained safe to occupy based on the active fire protection systems in place and the ability to evacuate in a timely manner. **The Committee noted the report.**

Safeguarding Policy [AC20/50]

The Committee considered the updated Policy, which would now be reviewed on an annual cycle henceforward. The revised Policy reflected general updates in responsibilities, enhanced processes and improvements identified via a recent internal audit. **The Committee noted that the Policy had been benchmarked against other Universities and against FE Colleges and was supported by more detailed DBS procedure notes and staff and student welfare arrangements. The Committee approved the Safeguarding Policy.**

Policy on the Engagement of the External and Internal Auditors for Non-Audit Work [AC20/51]

The Committee considered the Policy, which had been updated to reflect University Executive and Audit Committee feedback, including the direct views of the Chair of Audit Committee and co-opted Committee member. **The Committee approved the Policy for adoption.**

Committee Agenda Plan 2020/21 [AC20/52]

The Committee noted that the planned 25 January 2021 Audit Committee would be rearranged for February 2021 to reflect the amended timetable for the TRAC Return, that this rearrangement would enable the outcomes of the Business Continuity and UKVI Internal Audit reviews to be reported on, given the fieldwork was provisionally scheduled to take place in January 2021, and noted that an additional Audit Committee in early January 2021 may be necessary to consider the final Internal Audit Opinion.

Chair's Closing Remarks [Oral Report]

In light of the likely Audit Committee meeting date changes, the Chair acknowledged that this meeting represented the final meeting for the co-opted Committee member and for himself as Committee Chair. On behalf of all Committee members and attendees, he thanked David Jennings for his contribution to the work of the Committee and the wider University over the last nine years, and expressed his thanks to all Governors, Committee members, External and Internal Audit, University Executive colleagues and Governance Services team for their support to him and the work of the Committee. He offered his best wishes to James Bromiley who would assume the role of Committee Chair. This was also the last Audit Committee for Stuart Kenny, Senior Manager who would be leaving EY in January 2021. On behalf of the Committee, the Chair expressed thanks for his work and persistence, wishing him well for the future.