

AUDIT AND RISK COMMITTEE
Tuesday 14 November 2023

DRAFT UNCONFIRMED MINUTES

Present:

Peter Thompson (Chair)	Simona Fionda	Celia Gough
James Hedges	Indy Hothi	

In attendance:

James Aston (external audit)	Professor Colin Bailey	Sarah Durrant (external audit)
Dr Sharon Ellis	Rebecca Jones [mm. 2023.022–023]	Karen Kröger
Dr Nadine Lewycky	Jonathan Morgan	Chris Shelley [m. 2023.024]
Thomas Skeen [mm. 2023.016–019]	Amy Taylor (internal audit)	

Apologies:

Patricia Gallan	Neil Thomas (internal audit)
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Welcome, apologies and declaration of interests

2023.016 The Chair welcomed everyone to the meeting and noted the apologies. There were no declarations of interests.

External audit annual report [ARC23/13]

2023.017 The Committee **considered** the external audit annual report. The following points were noted in the discussion:

[a] The audit had gone smoothly and was nearing completion. There were two unadjusted errors, neither of which was due to a control deficiency. The work on subsidiaries was ongoing and was not material to the group accounts. BDO stated that they were expecting to be in a position to sign the financial statements shortly after the Council meeting.

[b] The Committee asked about the university's degree apprenticeship activity in response to the section of the Audit Completion report that highlights topical sector issues. We expected the current government to continue

promoting degree apprenticeships. We offered 600–650 degree apprenticeships through the Institute of Technology in partnership with Newham College. We had plans to grow our numbers to c.1,000, but the model of degree apprenticeships was not currently financially viable due to the costs and regulatory burdens.

- [c] The Committee asked about the Office for Students' intervention with Audit Committee Chairs regarding partnership arrangements. We were not affected as this was in relation to franchise agreements, which were more commonly used by the post-92 universities and private providers.

Letter of Representation [ARC23/14]

2023.018 The Committee **considered** the letter of representation. The following points were noted in the discussion:

- [a] The wording in the letter was standard and there were no specific concerns. The timeframe set out in the going concern section was unclear and would be reviewed.
- [b] The Committee **agreed to recommend approval** to Council of the letter of representation, subject to the above clarification.

Action: [a] Chief Financial Officer

Audited financial statements for 2022–23 [ARC23/15]

2023.019 The Committee **considered** the audited financial statements for 2022–23. The following points were noted in the discussion:

- [a] We had modelled a plausible downside and stress test scenario for the next 20 months to test the robustness of our going concern assessment. The plausible downside modelled a tuition fee reduction of 10% and 20% on transnational education this year. We were expecting some movement in our tuition fee income before the census date in December but would not reach this level. The stress test modelled a tuition fee income reduction of 20% for next year coming to around £84m. Under this scenario we would breach some of our loan covenants if we took no mitigating actions. We felt that the modelling demonstrated that the going concern assessment was appropriate.
- [b] In line with appropriate accounting treatment we were showing a deficit on the USS pension scheme as the 2023 valuation was not yet finalised. This would be updated in next year's financial statement, by which time the valuation would be complete.
- [c] The Committee questioned the assumption used in the scenario of an additional 2% on pay inflation for 2024–25 (bringing the total pay inflation to 5%), rather than the additional 3% used for 2023-24. We were expecting inflation to come down, which would reduce pressure on wage inflation.
- [d] The Committee asked for an explanation of the rationale for the assumptions made in the going concern scenarios for future papers. To

provide additional context this year previous modelling would be shared with the Committee.

- [e] The Committee asked about risk mitigations associated with the planning process for the Whitechapel Life Sciences building. If the planning application by NHS Property Services for the whole site was unsuccessful, we could submit a separate application for our own plot. We had already adjusted our design based on feedback from Tower Hamlets.
- [f] The Committee asked whether pausing capital spending was the most appropriate mitigating action to a shortfall in tuition fee income. In the event of a significant shock the short-term action might be to pause significant capital spending. A longer-term solution would be to review the structure of the University to reflect the market.
- [g] The Committee expressed strong support for the narrative in the near final financial statements. The new material on value for money was very persuasive. The Committee also raised a number of minor points with the draft. First they questioned whether the statement by the Chair of Council accurately reflected the emerging student recruitment picture. We would invite the Chair of Council to review the wording.
- [h] The Committee asked whether the presentation of the staff survey should be more nuanced to reflect the mixed results. We would review this section.
- [i] The Committee asked for a footnote to be added explaining the term 'field weighted citation impact'.
- [j] The Committee questioned whether it was right to exclude the pensions provision from the table on the year-on-year change in surplus. Our position was that the swings in the pension provision were so large that including it would not reflect the University's underlying operating activities. The external auditors confirmed that this was common practice in the sector.
- [k] The Committee questioned whether, in the financial review, we could combine bank deposits (with a maturity between 3 months and 1 year) with cash, since they are often considered similar to cash. It was noted that this would require a change to the accounting policy note. We would consider whether we might do this for next year's accounts.
- [l] The Committee thanked the Finance team for their hard work in preparing the financial statements.
- [m] The Committee **agreed to recommend approval** to Council of the financial statements subject to the above amendments.

*Actions: [d], [h], [i], [k] Chief Financial Officer;
[g] Chief Governance Officer and University Secretary*

Internal audit annual report 2022–23 [ARC23/16]

2023.020 The Committee **considered** the internal audit annual report for 2022–23. The following points were noted in the discussion:

- [a] As the Head of Internal Audit opinion was no longer required, the report presented a table showing the audit work in relation to the core reviews.
- [b] The Committee asked for context on the outstanding actions that were overdue. This would be incorporated in next year's report.

Action: [b] KPMG

Progress with the Internal audit annual plan for 2023–24 [ARC23/17]

2023.021 The Committee **considered** progress with the internal audit annual plan for 2023–24. The following points were noted in the discussion:

- [a] Staff engagement had been added to the scope of the health and wellbeing review. Management suggested that the auditors look at the detailed comments from the staff survey rather than just the summary. This would help focus the audit on the areas of most concern to staff.
- [b] The Committee **noted** the progress report and **approved** the updated scope on the health and wellbeing review.

The Fire, Health and Safety annual report for 2022–23 [ARC23/18]

2023.022 The Committee **considered** the fire, health and safety annual report for 2022–23. The following points were noted in the discussion:

- [a] We had invested in resources around fire safety compliance in response to new legislation. We were expecting to receive a regulatory inspection on laser safety from the Health and Safety Executive, which had already visited a number of other universities. We had improved our training in this area and introduced laser safety officers in schools and institutes. We had grown our training provision and were rolling out a new course for supervisors and line managers. An inspection by the Environment Agency on our ionising radiation work at Charterhouse Square had identified no areas of non-compliance. The Health and Safety Directorate had delivered specialist wellbeing sessions this year as part of the University's work towards the University Mental Health Charter.
- [b] There had been a significant culture change towards health and safety in the last 5–6 years. We had simplified reporting and promoted a no-blame culture to encourage learning from incidents. There was buy-in from all levels of the University. We had received good feedback from the Health and Safety Executive on our training and reporting.
- [c] The Committee asked whether management was satisfied with the level of near miss reporting. We were working to promote near miss reporting through new training for mid-level managers.

An update on asbestos in the Whitechapel library [ARC23/19]

2023.023 The Committee **considered** an update on asbestos in the Whitechapel library. The following points were noted in the discussion:

- [a] Earlier this year, the University received a request under the Freedom of Information Act about the presence of asbestos containing materials in the Whitechapel library and any risks for people working in the area. The request included all correspondence on the matter. The University initially decided to withhold some of the correspondence under provisions in the Environmental Information Regulations. The requester complained to the Information Commissioner's Office, which determined on the balance of public interest that the information should be released. The University complied with the Commissioner's determination.
- [b] The University identified the asbestos containing materials in 2017–18 and conducted a survey at that point to determine the risks. As some members of staff in the area continued to raise concerns, a further independent investigation was commissioned to provide additional assurance. The investigation report was shared with staff who were given the opportunity to discuss their concerns. The health and safety representative in the area questioned the independence of the investigation, as it was carried out by someone with a link to a former employee, but the University was satisfied that there was no conflict of interests and the investigator was properly accredited. The Health and Safety Executive also conducted a visit in the same timeframe to review asbestos management arrangements at the University. It decided not to visit the Whitechapel library following its review of records for all sites and concluded that our overall management arrangements were satisfactory.
- [c] The Committee asked whether it would have been preferable, in the light of concerns raised by staff, to remove the asbestos containing materials from the area. The Director of Health and Safety said that the asbestos was stable and we would only look to remove it if we were planning work on the site. Annual surveys were being conducted to monitor the risks and current library staff were comfortable with our position.
- [d] Taking all of the above into account the Committee were of the view that the University had taken appropriate steps to determine the seriousness of any risks.

The Prevent Duty annual monitoring return for 2022–23 [ARC23/20]

2023.024 The Committee **considered** the Prevent Duty annual monitoring return for 2022–23. The following points were noted in the discussion:

- [a] We had referred four students to their local authorities through the Prevent process because of one online incident. We had not been asked to take any further action following the referrals.
- [b] The risk register was in the process of being updated and we were given assurance that priority actions had been taken forward meanwhile.
- [c] The Committee **agreed to recommend approval** to Council of the Prevent Duty annual monitoring return.

The Transparent Approach to Costing (TRAC) process [ARC23/21]

2023.025 The Committee **considered** the TRAC process. The following points were noted in the discussion:

- [a] The paper outlined the process and timetable for completing our TRAC return. The outcome would be brought back to the Committee for discussion after the return was submitted.
- [b] The guidance for all universities was the same, but there were areas where judgment could be exercised, which meant that the benchmarking was only valuable at a high level. The TRAC oversight group reviewed the judgments and provided consistency across the University.
- [c] The Committee noted the data on full economic cost recovery and its relevance for Council consideration of future strategic options.

An update on legal compliance reporting [ARC23/22]

2023.026 The Committee **considered** an update on legal compliance reporting. The following points were noted in the discussion:

- [a] A new legal counsel had joined the University and would be leading a rolling programme of engagement with compliance owners. The Committee discussed the criteria for prioritisation and suggested that reviews should start with those areas where the Committee did not receive other assurance, where there were specific concerns or where the Committee would like more visibility. Areas where new regulation had been introduced would also be considered for review. New guidance had been issued by the regulator on consumer protection and a deep dive would be commissioned in this area. Information governance compliance could be wrapped into existing reporting to the Committee.

Whistle blowing cases since the last meeting [Oral report]

2023.027 *Minute 2023.027 is confidential.*

Fraud/financial irregularities occurring since the last meeting [Oral report]

2023.028 *Minute 2023.028 is confidential.*

The draft Audit and Risk Committee annual report for 2022–23 [ARC23/23]

2023.029 The Committee **considered** the second draft of the Audit and Risk Committee annual report for 2022–23. The following points were noted in the discussion:

- [a] The paragraph on Prevent Duty reporting would be clarified to show that it was referring to reportable events to the Office for Students.
- [b] The Committee was updated on the actions taken in response to the cyber security incident in EECS. A sentence would be added to show that the Committee had been updated.

[c] Table 4.6 on internal audit would be updated to match the KPMG table.

[d] Paragraph 11.1 would be amended to read Chief Financial Officer.

[e] The Committee **agreed** that it was comfortable with the opinions expressed in paragraph 13 and to **recommend approval** to Council.

Actions: Committee Secretary [a–e]

Minutes of the meeting held on 28 September 2023 [ARC23/24]

2023.030 The Committee **confirmed** the minutes of the meeting held on 28 September 2023.

Matters arising [ARC23/25]

2023.031 The Committee **noted** the matters arising from the previous meeting. The following points were noted in the discussion:

Risk management framework

[a] The risk management system was approved by Council and had been set in relation to the Strategy. We were currently refreshing the strategy which provided an opportunity to revisit the risk management framework. The Committee asked KPMG about common practice in the sector for reviewing the risk management framework, noting that more frequent reviews could put the framework out of line with the strategy.

[b] *Minute 2023.031[b] is confidential.*

Action: [a] KPMG

Draft agenda for the next meeting [ARC23/12]

2023.032 The Committee **noted** the draft agenda for the next meeting on 12 March 2024.

Bancroft building flood

2023.033 The Chief Operations Officer reported that, due to a student standing on a pipe and breaking it, a significant part of the Bancroft Building had been rendered unusable for up to three weeks. It was a main teaching building and teams had worked over the weekend to get some of the rooms back in use, while we had been able to reschedule most of the teaching. There were lessons to be learned about the exposure of the building's pipework and our communications. The quick response of teams had been positive. We were following up with our insurers.

Committee membership

2023.034 The Chair said that this was the last meeting for Simona Fionda as her term as a co-opted member was finishing. The Committee thanked Simona for her excellent contributions over the years.

Dates of meetings in 2023–24:

➤ Tuesday 12 March 2024 at 1500 hours.

➤ Tuesday 18 June 2024 at 1500 hours.