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MINUTES OF THE 125TH MEETING OF THE AUDIT COMMITTEE HELD ON THURSDAY 15 NOVEMBER 2018 IN ROOM CH1.14 CAVENDISH HOUSE, UNIVERSITY OF WESTMINSTER, 101 NEW CAVENDISH STREET.

PRESENT:	Mr M Smith (Interim Chair)	Dame K Dunnell
IN ATTENDANCE:	Mr J Cappock (from Minute 18.14) Mr D Gibbs, KPMG (to Minute 18.22) Mr A Lees, KCG (Minute 18.16 and 18.17) Mrs E McMillan, Clerk (from Minute 18.14)	Ms F Nieboer, KPMG (Minute 18.13 to 18.17) Ms D Takodra, TIAA (Minute 18.14 to 18.22) Mr I Wilmot (from Minute 18.14)
APOLOGIES:	Mr K Limn, TIAA (attendee)	

18.13 PRIVATE MEETING WITH THE EXTERNAL AUDITORS

18.13.1 The meeting commenced with a private meeting of the independent members with the External Auditors, Ms F Nieboer and Mr D Gibbs from KPMG.

18.14 ANNOUNCEMENTS

18.14.1 Apologies were noted as detailed above.

18.14.2 No interests were declared.

18.14.3 The Chair confirmed that there were no requests from members to discuss starred items or to discuss business other than that on the agenda.

18.15 RISK REGISTER AND SCHEDULE OF MITIGATIONS

18.15.1 Members reviewed a periodic update of the risks associated with the delivery of the University's strategic objectives (Document AUD 181115F), noting the updated University risk register (Appendix 1) and a tabled summary of responses from members of the University Executive Board (UEB), who are the risk owners (Appendix 2).

18.15.2 The University Secretary and Chief Operating Officer (USCOO) gave a verbal summary of the documents and informed members that the risk register has not yet been revised to align to the refreshed University strategy; the nature of the risks are largely unaffected by the strategy refresh.

18.15.3 The Interim Chair welcomed the format of the report and tabled appendix, noting that it enabled members to readily identify the changes.

18.15.4 A member expressed concern around the risks relating to the University estate and noted that the Court of Governors has expected submission of the new Estate strategy for some time. In response to the member's query regarding governor involvement in the development of the Estate strategy, members heard that three independent governors are engaging with the University's Estate Advisory Group and that the Court will receive an update at the November meeting. Another member noted that the delay may result in estates matters continuing to impact on the University's National Student Survey outcomes.

18.15.5 A member supported the inclusion of new risks relating to embedding cultural change and external perceptions; however, the member challenged whether the mitigation stated in UEB's response is sufficient to permeate all levels of staff culture. The USCOO explained that additional action to mitigate the relevant risks is being explored.

APPROVED

18.16 INTERNAL AUDIT REPORTS 2017-18

Review of short courses (value for money) (Document AUD 181115A)

- 18.16.1 Alan Lees, Managing Director KCG, presented the report to members. The overall assurance level was Limited Assurance with three Priority 1 and three Priority 2 recommendations.
- 18.16.2 A member commented that this is an area in which there is an opportunity to achieve a consistent approach and that the findings provide examples for management on how they might address the issues.
- 18.16.3 The USCOO agreed that the review is a fair assessment of this area and that the Director of Finance, Director of Human Resources and Organisation Development, and the Director of External Relations have discussed the report and recommendations.
- 18.16.4 The Internal Auditor (TIAA) informed members that they are currently reviewing all recommendations, including those outstanding from previous years, for applicability and will present an update on progress to Committee through the internal audit follow up tracker.
- 18.16.4.1 **ACTION Internal Audit (TIAA)** to include in the report an appendix that lists any recommendations identified through the review as no longer applicable or superseded.

Review of commercial income (value for money) (Document AUD 181115B)

- 18.16.5 The Managing Director, KCG presented the report to members. The overall assurance level was Limited Assurance with four Priority 1 recommendations.
- 18.16.6 Members discussed the centrally managed, locally delivered model for commercial activities and queried whether staff are incentivised and kept informed of the benefits of using University space flexibly.
- 18.16.7 The Director of Finance expressed the view that although the opinion is the same for this review and the previous, the issues leading to the opinion differ. The Director and the USCOO explained that a number of the issues arose from organisational structures that are now defunct; the Pro Vice-Chancellor Marketing and Enterprise will be conducting a full review of the operating model and resourcing for this area of work.

Review of IT assurance – systems security (Document AUD 181115C)

- 18.16.8 The Managing Director, KCG presented the report to members. The overall assurance level was Limited Assurance with nine Priority 2 and four Priority 3 recommendations.
- 18.16.9 A member queried the rationale for such a large number of alumni accounts and noted that the University used to allow students to retain their student email address in perpetuity.
- 18.16.10 In response to a member's query, members received assurance that the recommendation relating to login screens was marked 'not applicable' not because management did not consider the issue raised to be a concern but because the risk is already addressed fully by the University's desktop policy.
- 18.16.11 A member queried why there were potential risks related to information systems identified in the KPMG Audit highlights memorandum that did not appear in the KCG internal audit review report. The External Auditor explained that the scope of their audit was wider than the KCG review, which covered network level security only.

18.17 INTERNAL AUDIT (KCG) ANNUAL REPORT 2017-18

- 18.17.1 The Managing Director, KCG presented the annual report for the period ending 31 July 2018, which is the formal summation of the year's internal audit activity (Document AUD 181115D).
- 18.17.2 Members noted that internal audit provides limited assurance that the University maintained adequately designed and effective arrangements for risk management, control and governance, and economy, efficiency and effectiveness.

APPROVED

- 18.17.3 The Managing Director, KCG informed members that there remains a difference of opinion between the University and KCG regarding pension liabilities and that he is considering whether or not there needs to be reference to this in his final report to the Court.
- 18.17.4 A member queried whether or not the two audits that were not completed - Student systems and Actions arising from the transformation programme - have been deferred to 2018-19. Members discussed whether or not the University would benefit from a post-project evaluation or lessons learned exercise in relation to the transformation programme, or the restructuring/staff reduction element of the programme.
- 18.17.4.1 **ACTION Members** to consider at the next meeting whether or not to vary the content of the 2018-19 Internal audit plan to accommodate these two audits.
- 18.17.5 Dean Gibbs, External Auditor KPMG, proposed that the Statement of corporate governance in the University's annual report should be amended to refer to the overall Limited assurance internal audit opinion.
- 18.17.5.1 **ACTION Clerk to the Court** to amend the annual report text accordingly.
- 18.17.6 Members of the Committee and University executive challenged the basis for the overall limited assurance opinion. Individuals highlighted that the University received substantial and satisfactory assurance for the reviews undertaken across core assurance areas, including financial controls, risk management and data quality. Additionally, the areas for which limited assurance was provided were value for money areas identified by management as benefitting from additional support to help improve their effectiveness. Members noted also that management took timely action to address the recommendations from the internal audit review of CMA compliance, and action plans are in place for the other limited assurance audit areas.
- 18.17.7 The Managing Director KCG disagreed with the views of the members and executive, stating that he had drawn out themes from the limited programme of work to the institution as a whole and confirmed that he remained of the opinion that limited assurance overall is appropriate. However, he agreed to the proposed amendment below, which will give context to the overall opinion.
- 18.17.7.1 **ACTION Managing Director KCG** to duplicate the key themes from Section 3.2 - on the core assurance areas where substantial and satisfactory assurance opinions have been given – in the Internal audit annual opinion (Section 1.2).
- 18.18 DRAFT AUDIT COMMITTEE ANNUAL REPORT 2017-18**
- 18.18.1 Members received and considered the draft annual report for the year ending 31 July 2018 (Document AUD 181115E).
- 18.18.2 **AGREED** Annual report, amended as summarised below, to be submitted to the Court.
- 18.18.2.1 **ACTION Clerk to the Court** to amend the report to include:
- confirmation of those statements that were provisional pending discussion at today's meeting;
 - a summary of the evaluation of external and internal audit services; and
 - an additional phrase in the section on the overall internal audit opinion to reflect the context noted in 18.17 above.
- 18.18.3 The Interim Chair informed members that in future the Committee will be required to provide comment on the academic performance of the University and that it would be good practice, and of benefit, to expand the membership of the Committee to include a member with academic experience.
- 18.18.3.1 **ACTION Clerk to the Court** to inform the Nominations Committee that the Audit Committee has identified academic experience as a gap in the skills of the Committee membership.

APPROVED

18.19 VALUE FOR MONEY ANNUAL REPORT AND PLAN

18.19.1 Members received the annual report for 2017-18 and the plan for 2018-19 (Document AUD 181115H).

18.20 POTENTIAL FRAUD, BRIBERY, MONEY-LAUNDERING OR BREACHES OF REGULATIONS

18.20.1 The USCOO confirmed that there had not been notification of any reportable incidents since the last meeting.

18.20.2 The USCOO reported that a Health and Safety Executive (HSE) Inspector visited the University on 7 November 2018 and confirmed that the HSE is content with the information the University has provided regarding legionella issues and with the work being undertaken by the University to address them.

18.21 MINUTES FROM THE PREVIOUS MEETING

18.21.1 Members confirmed that the minutes of the Audit Committee meeting held on 15 May 2018 (Document AUD 181115I) are an accurate record.

18.22 MATTERS ARISING

18.22.1 Members received and noted an update on actions from the last meeting and outstanding actions from previous meetings (Document AUD 181115J).

18.22.2 **Terms of reference and membership (Action 18.2.2.1):** Members noted that the Court approved the amended terms of reference on 3 October 2018.

18.22.3 **Contingency and liabilities (Action 18.9.7.1):** The Director of Finance confirmed that the University is covered by insurance for potential class actions of the kind discussed at the previous meeting.

18.23 DATES OF FUTURE MEETINGS

Tuesday 9 April 2019 at 3.30pm in Room RS109 (VC's boardroom), 309 Regent Street

Tuesday 11 June 2019 at 3.30pm in Room RS109 (VC's boardroom), 309 Regent Street

18.24 EVALUATION OF AUDIT SERVICES

External audit

18.24.1 Members received and considered the completed external audit evaluation questionnaire for the year ending 31 July 2018 (Document AUD 181115G).

18.24.2 The Director of Finance reported that KPMG provides a good external audit service, and that KPMG had responded to feedback from the University the previous year.

18.24.3 A member queried what engagement there was between the external and internal audit services. The Director of Finance was not in a position to confirm whether discussions took place between the two audit services; however, KPMG receive all internal audit review reports.

18.24.4 **AGREED** Members recommend to the Court the reappointment of KPMG as the University's External Auditor for the 2018-19 year-end reporting cycle.

18.24.4.1 **ACTION Director of Finance** to confirm to the Committee the maximum term allowed for a 'lead audit partner'.

APPROVED

Internal audit

18.24.5 The Director of Finance reported that in the short period they have been engaged, the University have not had any issue with the internal audit service provided by TIAA, who have observed a meeting of UEB and engaged well with the University's leadership. Members noted that TIAA are yet to complete their first audit.

18.24.5.1 **ACTION Clerk to the Court** to follow up on the request to TIAA for a schedule of submission of internal audit reports to the Committee. On receipt, the Clerk to the Court and Interim Chair will review the schedule of meetings for 2018-19 to identify whether any changes would be beneficial to align with the internal audit schedule.

18.24.5.2 **ACTION Clerk to the Court** to move the first meeting of the Committee from early to mid-September.

18.25 ANY OTHER BUSINESS

18.25.1 Members did not raise any other matters for discussion.