



**AUDIT AND RISK ASSURANCE COMMITTEE
MINUTES OF THE MEETING HELD ON THURSDAY 1st JULY 2021 @11.00
FOR GENERAL RELEASE**

Present: **Ian Falconer, Chair**
Gwyn Arnold, Member
Dave McIntyre, Member
Prof. David Vaughan, Member

In attendance:

Alan Doyle, Finance Director
Michael Rigby, Leonherman
Ben Norris, Clerk
Kate Sayer, Secretary

1. WELCOME AND APOLOGIES FOR ABSENCE

The Chair welcomed the committee and the representative from Leonherman.

2. DECLARATION OF INTEREST

None.

3. MATTERS ARISING

- a. Alteration of meeting times for AY21/22 – the committee accepted agreed the meeting time alteration to 11am for the forthcoming year.
- b. Committee business:
 - i. Outstanding business in the AY20/21 work schedule – see section 5c

[Action: Secretary to alter meeting invites for AY21/22 to reflect change in time.] (3a-1)

4. PREVIOUS MINUTES

- a. Audit and Risk Assurance Committee
 - i. Minutes of 18.03.21 for Accuracy – the minutes were agreed, subject to an additional action in section 7 on the theme of resourcing.
 - ii. Action Tracker – the completed actions and progress on open actions were agreed. The Matrix of Assurance Providers is behind schedule, however progress is being made and this should be complete by the next meeting. No further changes to target dates have been requested. Completed actions to be reviewed for effectiveness in the end of year report to the Board of Directors (BoD). The committee was assured by the progress on the Action Tracker.

[Action: Secretary to add an additional action to the minutes of 18.03.21 regarding making the Board of Directors aware of the issue of resourcing.] (4ai-1)

[Action: Clerk to review the completed actions and their effectiveness in the ARAC annual report to the Board of Directors.] (4aii-1)

13. FURTHER READING (item b/f)

- a. Minutes of the other senior committees were provided for information and were noted by the committee. Of the Executive and Management Committee meetings, it was recognised that only the formal quarterly meetings were minuted in detail and it was recommended that the current informal notes of the actions from interim



meetings be formalised, providing documented assurance that operational matters were in hand at Futureworks.

[Action: Clerk of E/M committee to document actions alongside the agenda for the interim meetings.] (13a-1)

5. COMMISSIONING ASSURANCE:

- a. Risk Register and Risk Management Strategy – the Risk Management Strategy had been approved at the last meeting of the Board of Directors. The document clarifies Futureworks’ risk focussed approach including School level monitoring. The Chair was pleased that this had been accepted by the BoD and welcomed the development of school level reviews.

The Risk Register has been updated to reflect the changing risk environment, document work done on improvement plans and include emerging risks. The recent appointment to the AQE role will result in the lowering of the residual risk in this area. Utilising the new risk forms, Schools will be reporting any perceived risks and mitigation plans by September. [This section contains commercially sensitive information and has been redacted.] The approach to marketing is to be reported back to the next meeting.

- b. UNIAC Update including Review of Statutory Returns Process – the final report on the Review of Statutory Returns Process was presented to the committee. The Committee welcomed the assurances given (substantial assurance on implementation and reasonable progress on VfM) and noted the significant opportunities highlighted to improve design of some controls, i.e the report concluded that the returns process was heavily reliant on one individual, which could present a significant resourcing issue if that staff member was absent. However, the Committee was disappointed that the final report did not appear to have been properly agreed with management, potentially undermining its conclusions. For example, when conducting interviews for the report, only one member of staff had been canvassed by UNIAC for information, overlooking the fact that the VP also has experience of completing statutory returns and an administrator was being recruited to work with the Data and Compliance Manager to mitigate this risk. A management response to the report was not requested at draft stage – the FD was requested to feed this back to UNIAC and to confirm whether or not their conclusions stood.

[This section contains commercially sensitive information and has been redacted.]

It was recognised that the report by UNIAC on Cyber Security was delayed due to staff illness so was not ready to be presented to the committee. An alternative staff member from UNIAC is now working on Futureworks’ account, so it is anticipated that progress will resume at a faster pace. Futureworks may have to be pro-active to help manage the relationship.

- c. Indicative work schedule for AY21/22 – section 3bi was addressed as part of this agenda item. Three outstanding items from the AY20/21 were mentioned:
 - Establishing performance indicators for measuring the effectiveness of assurance providers – a formal monitoring process is required to ensure that work from external assurance providers was satisfactory.
 - Reviewing the independence and objectivity of assurance providers – this will be covered by the Board Assurance Matrix. External auditor Leonherman had previously provided evidence to the Chair and the FD regarding their protocols for ensuring independence and objectivity.
 - Formally recognising that there have been no investigations into whistleblowing, fraud and/or irregularity over AY20/21 – it was formally recognised at the



meeting that there were no investigations into whistleblowing, fraud and/or irregularity over AY20/21 at Futureworks.

With regards to the indicative work schedule for AY21/22, it was noted that item 4 should be split out so that both internal and external audit activities be identified separately. With exception to this amendment, the schedule was accepted by the committee.

The proposed timing of the external audit by Leonherman was detailed. Initial planning is due to commence in August, with field work to be completed by the week commencing 08.11.21. The audit will be completed by January and is planned to be signed off at the ARAC meeting on 11.01.22, and will go to the Board of Directors in February. An extension to accounts submission has again been granted by the OfS, however the FD has asked Leonherman to work to the original submission dates. The auditor will attend the ARAC meetings in September and in January.

- d. Prevent Risk Assessment and Action Plan – organisation wide training on Prevent has now taken place, raising staff awareness across the institution. A discussion took place regarding awareness and understanding of Prevent across the whole student body rather than just by student partners. It was noted that Prevent is introduced to the student body at induction and this should be included in the Prevent Risk Assessment and Action Plan. It was queried as to whether other HEI institutions used content filtering on their campus networks. It was noted that this varied across providers, and research had showed that filtering content did not prevent students from accessing restricted content on campus due to the prevalence of internet-enabled mobile phones. The committee stated that with the minor change suggested, they accepted the document and were happy with the work being carried out in the area.

[Action: Annual review of Risk Management Strategy to be completed by the FD and reported back to the committee at the meeting in June 2022.] (5a-1)

[This section contains commercially sensitive information and has been redacted.]

[Action: FD to prepare a management response to the Review of Statutory Returns Process document for next meeting.] (5b-1)

[This section contains commercially sensitive information and has been redacted.]

[Action: VP to add amend indicative work schedule for AY21/22 to identify internal and external audits separately.] (5c-1)

[Action: Secretary to invite Leonherman auditor to the September 2021 and January 2022 ARAC meetings.] (5c-2)

[Action: Prevent Lead to document student training and awareness in the Risk Assessment and Action Plan.] (5d-2)

6. RECEIVING ASSURANCE:

- a. Strategic Planning - [This section contains commercially sensitive information and has been redacted.]
- b. Financial Management - [This section contains commercially sensitive information and has been redacted.] The Committee noted that it would be beneficial to create a larger pool of reserves, which would assist in maintaining the OfS' requirement of 30-days liquidity, and lessen the pinch points across the year. The marketing budget is to remain constant to assist wider recruitment. The FD explained that three financial scenarios have been planned for, based on differing student numbers across the year groups, using historic levels of student retention to give realistic predictions. Student admissions are in line with the mid-position, with applications



still being received. Leonherman would require the cashflow forecast be extended for a further 12 months to 2023 to inform its own review of Going Concern, detailing the worst-case scenario related to recruitment and retention. This can be done after the start of term in September when firm student numbers are known. The minutes from the Academic Board give assurance that student retention has become a key focus, with strong work being done in student support.

MR from Leonherman left the meeting at this point.

- c. Schedule of reporting requirement and returns – this was accepted by the committee as assurance that all returns were being completed and on time.
- d. Self-evaluation analysis – the committee self-evaluation analysis was presented by the Financial Director. Generally, all areas received high levels of satisfaction, with consistency between members. The level of detail in the meeting minutes was mentioned, and it was decided that slightly more detail would be beneficial in providing information required for scrutiny by the Board of Directors.
- e. CCE UK Partnership Report – it was noted that there was no mention of best practice at Futureworks within UCLan’s report. The committee did not feel that it was necessary to pursue this for future years. It was relevant that Futureworks are the only validated partner institution at UCLan with all other partners operating on a franchise basis, but all partners were treated in the same manner.

[Action: After the new term commences, FD to produce the cashflow forecast for an additional 12 months until 2023 for the external auditors Leonherman for end November 2021] (6b-1)

[Action: Secretary to circulate draft minutes (from this meeting only) with all committee members to comment on level of detail given.] (6d-1)

7. MANAGING ASSURANCE ARRANGEMENTS:

N/A

8. REPORTING ASSURANCE:

- a. ARAC Annual Report outline of contents – the outline of contents was presented. Assurance was requested from the committee that sufficient work had been done to allow the Committee to address all the required areas and there were no gaps. It was noted that Anti-Fraud would be detailed in the Control section. Value for Money is an area which still requires work, however no further guidance has been given by the OfS in this area, so this will have to be taken into consideration when writing the Annual Report.

9. REVIEW OF MEETING AND MATTERS FOR REPORTING TO THE BOARD OF DIRECTORS:

[This section contains commercially sensitive information and has been redacted.]

10. AOB:

None.

11. ITEMS FOR FUTURE DISCUSSION:

- UNIAC’s review of the risk management process
- OfS report on the financial state of the HEI sector

12. DATE OF NEXT MEETING

The next scheduled meeting of the Audit & Risk Assurance Committee is:
21st September 2021 @ 11.00 via Teams and at Futureworks.