

**BOARD OF GOVERNORS**  
**AUDIT COMMITTEE**

Minutes of the meeting held on 6 March 2017

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**Present**

Lisa Greenhalgh	Independent member	Committee Chair
Lesley Munro	Clerk to the Board	
Christine Donnelly	Independent member	
Louise Robinson	Independent member	
Jennifer Finlay	PwC	Internal Audit representative
Jane Forbes	PwC	Internal Audit representative
Clare Partridge	KPMG	External Audit representative

**Officers in attendance**

Carl Gibson	Director of Finance
Craig Hutchinson-Howorth	Director of Strategic Planning
Steve Igoe	Deputy Vice-Chancellor

**Apologies**

John Cater	Vice-Chancellor	
Richard Tyler	KPMG	External Audit representative

**AC.16.032 In-camera meeting**

Prior to the commencement of scheduled business, Independent members held a private meeting with the Internal and External Auditors who confirmed there were no issues to raise with the committee.

**AC.16.033 Declarations of Interest**

There were no Declarations of Interest specific to the meeting.

**AC.16.034 Chair's Announcements**

The Chair noted the recent resignations received from Simon Pope and Edith Sim for personal reasons.

**AC.16.035 Chair's Action**

There was no Chair's Action to report.

**AC.16.036 Minutes of the previous meeting**

*Received: Document AC/016/16*

The minutes of the meeting held on 7 November 2016 were agreed and signed by the Chair as a correct record.

**AC.16.037 Action Log**

*Received: Document AC/017/16*

Members received the Action Log noting that agreed amendments to the Fraud Risk Register were in hand.

**AC.16.038 Matters Arising**

There were no matters arising.

<b>SECTION A ITEMS</b>
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**AC.16.039 Data Return Cover Sheet**

*Received: Document AC/018/16*

The Clerk introduced a proposed cover sheet to be used to summarise key information from data returns so that members could get a clearer view of the main purpose of the return and a focus for questions.

After seeing the form in use for later items on the agenda, **it was agreed that they were a useful aid for members and should be adopted.** It was further agreed that the cover sheets should identify the time period for submission (eg annual) and provide space for the author to identify any specific aspects they wished to draw to members' attention.

**Action: Clerk**

**AC.16.040 Monitoring Returns**

*Received: Document AC/019/16*

***.01 Transparent Approach to Costing (TRAC) Return***

The Director of Strategic Planning introduced this item indicating that the University completed this annual HEFCE return on a voluntary basis. Developed to monitor increased Government investment in Research, the core metric drawn from the report was a full economic costing figure used by the University to cost research activity. Whilst Table E which concerned laboratory facility charge-out rates had not been completed, it was intended to undertake this calculation for the first time this year for University purposes given the increase in laboratory space on campus, and to include it in future returns.

It was noted that the commentary provided in previous years in relation to the recovery of full economic costs on publicly funded teaching had not been necessary this year as the University was within the tolerance band of 105%.

In discussion, members were pleased to note that there were no validation issues, but a request for benchmarking data emanating from the return to be made available was made.

**Action: Director of Strategic Planning**

Noting the return date for the data did not fit with the Board's cycle of meetings, **the Committee gave retrospective approval to the TRAC 2015/16 submission.**

***.02 National College for Teaching and Leadership (NCTL) Return***

Members received the NCTL Audit Grant Return noting that this had been audited by KPMG in line with NCTL set procedures with no issues raised.

The Director of Strategic Planning reported that information for the return was now drawn from the University's Finance and Registry systems which provided enhanced assurance.

**.03 Office for Fair Access (OFFA) Return**

Members received the returns noting that they provided a statement of spending from higher fee income in relation to activities to support widening participation along with a review of specific monitoring targets. The return was linked to the Access Agreement which was approved annually by the Board. Attention was drawn to Table 5 which showed a percentage spend above the guide level of 15% although performance against milestones had been mixed. It was noted that the target for disability had been discontinued awaiting new benchmarking data from HEFCE following changes to disability funding arrangements.

In discussion, it was noted that information showing the comparative success of disabled students in relation to employment was not covered in this return but would come through in the annual Equality and Diversity report compiled for the Board. It was further noted that tracking the impact of spend against particular groups was challenging.

It was reported that no queries had been raised in relation to these returns but that final approval had not yet been received.

<b>SECTION B ITEMS</b>
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**AC.16.041 Draft External Audit Strategy 16/17**

*Received: Document AC/020/16*

The External Audit representative (CP) introduced the strategy for the audit of end of year accounts drawing attention to the following aspects:

- The materiality level which was set at £2 million given the size of the University's activities with procedures designed to detect errors at £1.5 million;
- Reporting of all individual adjusted and unadjusted differences greater than £100,000;
- A specific risk focus on the valuation of property plant and equipment; completeness of provisions; fraud risk from revenue recognition and the management override of controls;
- Other areas of focus to include the overall financial position and going concern assessment; the reasonableness of pension

assumptions and the use of funds in compliance with the HEFCE Memorandum of Assurance and Accountability.

**The Committee approved the External Audit Strategy for the Audit of Accounts to 31 July 2017.**

**Action: KPMG/DVC**

**AC.16.042 Capitalisation Policy**

*Received: Document AC/021/16*

The Director of Finance introduced the paper which proposed an increase in capitalisation levels from £5,000 to £10,000 noting that this was in line with majority sector practice. It was noted that whilst this change would provide for a more devolved (but still rigorous) approach to fixed asset recording, it would decrease the capitalised Net Book Value figure by £533k and would show up the end of year accounts as a corresponding increase in the depreciation charge.

**The Committee approved the increase in capitalisation levels to £10,000.**

**Action: Director of Finance**

**AC.16.043 Value for Money (VfM) Update Report**

*Received: Document AC/022/16*

The Director of Finance introduced the VfM Update highlighting the success of the Out of Hours Provision Review for resident students and the Student Support Review which was a response to changes in the Disabled Student Allowance (DSA) arrangements. It was noted that the Student Record System Revitalisation Project which would provide enhanced interaction with students throughout their time at University was now underway but was a long-term development. Enhancements to the Purchase Ordering system had significantly improved ease of use and had resulted in a much lower percentage of retrospective orders whilst the new Box Office system had allowed a more personalised approach to customer communication which had helped to drive a 39% increase in student attendance at Arts Centre events. Work on the Staff Utilisation Review in Catering and Cleaning was ongoing and good progress was being made with new tenders for waste management services and the supply of electrical items. A trial

of a new reporting tool for the Customer Relationship Management System was about to commence. High levels of complexity had hampered the Learning Analytics project and, for similar reasons, a pause had been called on the Electronic Data Management project sponsored by Academic Registry to allow further thought to be given to overall benefits.

Evaluations of the new Careerhub and Library Management Systems demonstrated the significant improvements that had been achieved with both contributing to an enhanced student experience.

In discussion, it was noted that many of the projects were staff-led and there was strong engagement with the VfM process across the University. The Deputy Vice-Chancellor drew attention to the link with the work of the Information Strategy Group (ISG) which considered system enhancement proposals. **It was agreed that it would be useful for the Committee to have sight of the work of the ISG via the inclusion of its minutes at a future meeting.**

**Action: Deputy Vice-Chancellor**

In response to a member's question, it was noted that the loss of funding associated with disabled students had necessitated a review of provision to provide the most effective service. Whilst there had been some reduction in one-to-one support, this was still available where it was required. The University was conscious that having the right support in place was essential for recruitment, retention and progression to employment.

Members welcomed the informative report which was extremely positive. CP suggested that consideration might be given to a submission for the annual 'Best VfM' award.

The VfM Update report was received.

#### **AC.16.044 Internal Audit Reports**

*Received: Document AC/023/16*

*.01 VfM Governance*

The Internal Audit representative (JFi) introduced this report which considered the design and operating effectiveness of the controls and processes in place around the overarching governance over

the Value for Money (VfM) Strategy. This was a very positive report noting a number of areas of good practice including the operation of the Steering Group and staff levels of engagement with the process. Overall, **the Audit was classified as low risk**, providing substantial assurance with one low risk recommendation relating to the need to record the author and date of approval for the VfM and Procurement Strategy in order to ensure it is regularly reviewed.

It was noted that the recommendation had been agreed by the University and implementation was in train.

#### *.02 Academic Quality*

The Internal Audit representative (JFi) introduced this report which was undertaken to consider the effectiveness of the processes in place to enable the Governors to sign-off on the new quality assurance statements forming part of the Annual Accountability Return for 2015/16. It was noted that an introductory workshop had been provided for Governors and that they had been given a significant volume of supporting evidential information to take away for consideration. The Audit concluded that the information provided met HEFCE requirements. Overall, **the Audit was classified as low risk**, providing substantial assurance with one low risk recommendation concerning the need to ensure Governors had sufficient time to review such a large amount of information.

The Clerk reported that Governors strongly supported the need for a summary information report to be provided in future and she drew attention to the helpful Information Note produced by the Committee of University Chairs (CUC) which outlined a proposed format for such a report. This was on the next Board agenda for discussion.

The Deputy Vice-Chancellor indicated that a draft of the initial Annual Provider Review for the University had not identified any issues around academic quality.

#### *.03 Faculty of Education*

The Internal Audit representative (JFo) introduced this report which was undertaken to assess the effectiveness of the Faculty of Education in complying with University regulations and

procedures. It was noted that this was the last of the three Faculty Audits and JFo was able to confirm a positive outcome in terms of key controls for the areas covered. Overall, **the Audit was classified as low risk**, providing substantial assurance with two low risk recommendations concerning orders being raised retrospectively and expenses claims submitted outside the permitted deadlines.

In discussion, it was noted that these were institution-wide issues. The position in relation to the raising of retrospective orders had been substantially addressed through enhancements to the Purchase Order system (as discussed in the VfM Update report) and the Director of Finance confirmed that there was a clear audit trail for retrospective orders. He also noted that the University was reviewing the policy in relation to the submission of expenses forms in the light of experience and acknowledged that linkage between the Finance and Payroll systems, which was not currently available, would improve effectiveness.

The Internal Audit reports were received.

**AC.16.045 Managing Risk in Higher Education – PwC Sector Risk Profile 2017**

*(Clerk's Note: Additional Agenda Item)*

*Received: Document AC/023a/16*

The Internal Audit representative (JFo) introduced this report which provided benchmarking information in relation to risk management across PwC's HE client base. She drew attention to the top five risk themes from the analysis which reflected the impact of recent events and were noted as: government policy and the political landscape; Brexit; Financial sustainability; Student recruitment and Organisational change and transformation programmes. In terms of emerging areas, Staff engagement and organisational culture had been cited more often whilst Management information and data quality remained an area of vulnerability. Cyber-security was moving up the risk agenda whilst the new General Data Protection Regulation introduced a fine for non-compliance. Sub-categories of risk were outlined in the Appendix.

In discussion, it was noted that the University's Data Protection Officer had undertaken a course to achieve accreditation under the new arrangements.

**AC.16.046** The Higher Education Sector Risk Profile was received.  
**Review of Scheme of Delegation**

*Received: Document AC/024/16*

The Clerk introduced this item and indicated that, following the review of decision-making reported on at the last meeting, she had now consulted with members of the Executive, the Director of Finance and the Director of Human Resources in terms of any amendments necessary to the Scheme. She drew attention to the significance of the Scheme in setting out the responsibilities of the Board of Governors, the Vice-Chancellor and the Academic Board and its importance in providing a clear and unequivocal position in relation to the agreed delegation of those responsibilities.

It was noted that the revised scheme included new responsibilities which had arisen over the last twelve months and proposals for change where this was felt to be appropriate. Specifically, these covered:

**New provisions**

PREVENT Strategy: Page 1

Complaints Procedure – Governors/Chancellor/Clerk: Page 2

Annual Accountability Return: Page 4

Assurance as to the quality and standards of HE provision: Page 5

Donations/Bequests Policy: Page 8

**Amendments**

Approval of process for Board Effectiveness Evaluation delegated to Nominations Committee: Page 3

Removal of OJEU requirements from contracts: Page 8

Approval of Trades Union Agreements delegated to Resources Committee: Page 10

Subject to a minor amendment on Page 2 relating to the Governor Complaints process, **the Committee recommended approval of the revised Scheme of Delegation to the Board for approval.**

**Action: Chair/Clerk**

**AC.16.047** **Risk Management Report**

*Received: Document AC/025/16*

The Director of Strategic Planning introduced the paper noting that the major issues and risks remained unchanged from the previous meeting. He reported that the University had submitted its Statement for the Teaching Excellence Framework (TEF) and was awaiting the outcome and he drew attention to discussions about the extension of the scheme to subject level although it was acknowledged that this was fraught with complexity. Changes to the Destination of Leavers survey were in train incorporating the centralised collection of data 15 months from graduation (as opposed to the current 6 months) and a wider definition of what constituted a 'graduate' job. The Bell review of sector agencies heralded the establishment of the Office for Students which would be funded by the sector and further cost increases were anticipated in relation to pensions and the introduction of the Apprenticeship levy.

In terms of mainstream provision, it was noted that recruitment to HEFCE programmes was being affected by competitor activity, especially from the Russell Group institutions, in making lower or unconditional offers but it was still expected that recruitment should be around 2015 levels. It was interesting to note that a number of Russell Group institutions had taken a higher proportion of students in Clearing than Edge Hill in 2016. Government policy in relation to Teacher Training remained challenging with the number of routes to qualification further increased by the introduction of a Teaching Apprenticeship Scheme for 2018. The lack of direction was fuelling the growing shortage of teachers. Despite these uncertainties, Faculty of Education recruitment to professional programmes remained robust in the context of reduced allocations whilst applications to generic programmes had increased significantly. A review of Professional Development programmes for qualified teachers was underway. Recruitment to Faculty of Health programmes remained strong despite a reduction in applications following the introduction of tuition fees for pre-registration nursing and midwifery programmes. The focus for the Faculty was in the development of strong partnerships with Commissioning Groups and Trusts to ensure good placement provision.

The University was participating in the consultation around the Stern Review on research funding which suggested that all staff would need to be returned in the next assessment exercise (REF 2021) in order to prevent institutions from gaining unfair advantage from selectivity.

In discussion, the following points were noted:

- The University was keeping a weather eye on the development of apprenticeship schemes in the light of funding availability from the employers' levy but participation would be dependent on relevance and contribution to core business;
- New proposals for the development of two year degree courses were likely to be most attractive to Challenger providers given the costs involved and the reduced student experience offered. It was noted that previous initiatives had not flourished;

The Risk Management report was received.

**AC.16.048 Fraud and Data Returns Investigation Update (Reserved item)**

<b>SECTION C</b>
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**AC.16.049 Any other Business**

There was no other business.

**AC.16.050 Date and time of next meeting**

The next meeting of the Committee is scheduled for 5 June 2017.