

BOARD OF GOVERNORS

AUDIT COMMITTEE

Minutes of the meeting held on 29 October 2018

Present

Lisa Greenhalgh	Independent member	Committee Chair
Lesley Munro	Clerk to the Board	
Christine Donnelly	Independent member	
Clive Elliott	Independent member	
Robert Jones	KPMG	External Audit representative
Lisa Randall	RSM	Internal Audit representative
Louise Robinson	Independent member	
Mike Rush	Independent member	
Richard Tyler	KPMG	External Audit representative

Officers in attendance

John Cater	Vice-Chancellor
Carl Gibson	Director of Finance
Craig Hutchinson-Howorth	Director of Strategic Planning
Steve Igoe	Deputy Vice-Chancellor
Liam Owens	Director of Student Recruitment and Administration (for presentation only)

Observer

Lynda Brady	Pro Vice-Chancellor (Student Experience) & University Secretary
-------------	---

Apologies

Joanne Flitcroft	Independent member
------------------	--------------------

AC.18.023 In-camera meeting

Prior to the commencement of scheduled business, Independent members held a private meeting with the Internal and External Auditors which is minuted separately.

AC.18.024 Student Journey Project

Received: Document AC/013/18 (Additional slides circulated to members and copy held in minute book).

The Director of Student Recruitment and Administration gave a presentation on this major project which had been identified by members as a topic for discussion in terms of VfM at a previous meeting. He highlighted the following points:

- The overall purpose of the project was to provide a consistent framework for the way the University communicates, listens to and engages with students from their first enquiry to the point of graduation. By its nature, this was a multi-strand, long term project involving a number of Departments.
- The project was initiated to improve the student experience and to systemise processes so that the maximum value could be obtained from the data collected. 25 initial areas for investigation were identified and led by staff working in the relevant area with cross-departmental teams.
- The investigation stage identified 180 recommendations for consideration. Some had been very straightforward and had been immediately addressed such as the decision that the University would pay for the Disclosure and Barring Service (DBS) checks for applicants. Currently this was an applicant responsibility and submissions were often left until places had been confirmed leading to delays in fully completing enrolment. In turn this affected the ability for students to draw down loans from the Student Loans Company (SLC) which also impacted the University's ability to collect tuition fee payment. The cost for this policy change was around £60,000 but represented a significant improvement in the position for both students and the University.
- Other recommendations had been grouped into four areas for managed implementation covering: *Communicating with Students;*

Listening to Students; Improving processes and Investing in Systems. All of these were progressing well and were expected to complete over the next two years. Examples of individual strands included making better use of the capability of existing systems to deliver a better experience such as the on-line application process for applicants outside the UCAS system and personalised timetabling; the resourcing and development of the student communication function with a manager appointed to oversee consistency and style; introduction of the 'Big Read' initiative to encourage early engagement and relationship building; a pre-arrival survey on learning styles to provide information to receiving departments; using the full capability of the existing student record system to hold all relevant data concerning their interaction with study and the University in order to ensure appropriate interventions were made in a timely way – especially important in preventing withdrawal.

In discussion, a member observed that many of these areas represented a scenario where work was never finished and it was noted that further development opportunities often presented themselves, and were adopted, whilst work was ongoing. The Director of Student Recruitment and Administration confirmed that a cycle of continuous improvement was embedded within each function.

Concluding discussion, members thanked the Director of Student Recruitment and Administration for his presentation which had provided significant assurance in relation to the VfM attaching to this important project.

AC.18.025 Declarations of Interest

There were no Declarations of Interest specific to the meeting.

AC.18.026 Chair's Announcements

There were no announcements.

AC.18.027 Chair's Action

There was no Chair's Action to report.

AC.18.028 Minutes of the previous meeting

Received: Document AC/014/18

The minutes of the meeting held on 3 September 2018 were agreed and signed by the Chair as a correct record.

Clerk's note: The attendance list was subsequently amended to correctly show the Vice-Chancellor's attendance as an officer to the committee rather than as a member.

AC.18.029 Action Log

Received: Document AC/015/18

Members received the Action Log for the year noting that:

- Following a review of the final PwC report on the RS fraud, the Chair had concluded this provided sufficient assurance in relation to HR procedures and no further report was needed;
- Following a request from the previous meeting, a paper outlining the stages of the GMC approval process for the Medical School had been provided and an internal timeline document was also tabled. The Vice-Chancellor reported that the GMC process was collaborative in nature, working with the University towards a successful outcome. He noted that Academic Board had responsibility for managing academic matters such as validation and confirmed that the draft curriculum had been submitted to the GMC. He also noted that partner support for the School remained strong and that good progress was being made in appointing clinical staff on fractional contracts whilst work was underway on the redesign of the LINC building to house the new School. The 2019 recruitment cycle had recently opened and 85 applications had already been received for the 15 places available on the Foundation Year. The Chair and members requested that, given the committee's responsibility for risk, a regular report outlining actions and timescales should be made to the committee.

Action: Vice-Chancellor

In response to a member's question about recent publicity concerning a 'Medical Access' programme at West Lancs College, the Vice-Chancellor indicated that, whilst the University would work

with the College, and was interested in receiving any well founded applications, there was no specific arrangement in place.

AC.18.030 Matters Arising

There were no matters arising.

SECTION A ITEMS

AC.18.031 2018 Financial Statements

Received: Document AC/016/18

The Director of Finance introduced the Statements highlighting the pre-pension surplus of £18.685 million adjusted to £33.906 million to include the actuarial gain in respect of the pension scheme in line with required accounting practice. He highlighted the following points:

- Whilst overall income had shown a small reduction on the previous year reflecting lower student numbers, the major change had been in increased expenditure which was largely due to higher staffing costs. It was noted that, in recognition of the need to control costs, there was a very tight system in place for the replacement of staff leaving the University through the vacancy approvals process;
- There had been no change to the Accounting Policies underpinning the statements;
- Cash flow figures remained strong and were the basis for the generation of a good surplus. The closing cash balance of £45.177 million provided a cushion for the future although it was noted that a minimum holding of £30 million was required to provide for the University's operational costs over a limited period;
- The success of the tuition fee collection system which accounted for over £100 million in income with few debtors showing.

The Deputy Vice-Chancellor drew attention to the increased disclosure around the remuneration of the Vice-Chancellor and other higher paid staff including the publication of pay multiples. In this connection, it was noted that, following pressure from the sector, OfS guidance on pay multiples had been amended to allow publication on a comply or explain basis. The Edge Hill statements incorporated the

recommended multiple which was based on the median salary of all employees but also included a multiple based on the mean salary which was felt to be more useful. He also highlighted the commentary attaching to figures for Edge Hill Maintenance Services as a linked charity and noted that this now met the requirements specified in the HAR.

A member observed a potentially ambiguous phrase in the commentary concerning the University's NSS performance and it was agreed that this would be reviewed.

Noting the committee's specific responsibilities in relation to the operation of the University's internal control system and financial governance arrangements, members agreed these were appropriately addressed in the commentary and in line with reports received during the year.

It was RESOLVED to recommend the 2018 Financial Statements to the Board for approval.

Action: Chair/Deputy Vice-Chancellor

AC.18.032 External Auditor's Letter of Representation

Received: Document AC/017/18

The KPMG representative (RT) presented the letter which followed a standard format. He confirmed that there were no uncorrected misstatements to attach to the letter. He also highlighted the valuation and carrying value of the Woodlands campus which at £1.04 million was felt to be appropriate. It was noted that ownership of the site lay with Lancashire County Council although it was recognised that the University had a substantive interest given the 51.3% user rights in perpetuity afforded by the Education Assets Board agreement.

In response to a member's question concerning the size of the Woodlands campus, it was reported that, whilst this was around 7 acres in total, the University's interest had rested primarily in the building. Given that the University had vacated the building and it was no longer in use by the Council, a number of options were being considered in relation to its future development which could impact on the valuation applied. It was likely that it would be some time before any final decisions were reached.

It was RESOLVED to recommend the External Auditor's Letter of Representation to the Board for approval.

Action: Chair/Deputy Vice-Chancellor

AC.18.033 External Auditor's Audit Highlights Memorandum and Management Letter

Received: Document AC/018/18

The External Audit representative (RJ) introduced the audit highlights outlining the major sections of the document. He noted that, subject to minor outstanding technicalities, a clean audit was anticipated on both the financial statements and the use of public funds with no issues of concern to raise. Attention was drawn to the significance given to fraud risk within the document and it was noted that this was in response to a specific emphasis within the profession and was applied to all clients. No specific risk had been identified at Edge Hill.

With respect to the work undertaken on tuition fee income, the External Audit representative (RJ) indicated that this could be tested through sampling but this year a pilot using data analytics had been undertaken. This involved matching the student record with the ledger and required mechanisms for data sharing. There had been some initial issues concerning GDPR but these had been resolved and the pilot had operated successfully with satisfactory explanations for the very few anomalies identified. The exercise had not identified any systemic issues and provided a very high level of assurance. It was expected that this process would be used for future audits. In response to a member's question concerning the reference to the University's use of two separate student record systems requiring some double entry, the Deputy Vice-Chancellor reported that this related to professional development students in the Faculty of Health. Arrangements were in hand for all transactions to be handled through the central student record system.

Whilst there was a significant level of information on pensions, it was noted that the assumptions made by the University were in line with expectations and the adjustment applied to the income and expenditure analysis in terms of the actuarial gain was a non-cash item. It was further noted that the recommendations from the previous year's audit had all been implemented.

The Deputy Vice-Chancellor drew attention to the potential downside of including pension adjustments in the overall published surplus figure as this could provide a misleading picture to those who did not understand the technicalities whilst it was also something of a hostage to fortune to those who might seeking to make political capital about apparent university wealth. It also made comparisons of financial health between institutions more difficult. He noted that an explanation was provided in the commentary to the Financial Statements. The Vice-Chancellor noted that, given the University had no bequests or significant donations to provide back-up, the generation of a healthy surplus was needed in order to continue to invest in the student experience and projects such as the Student Journey which had been outlined earlier in the meeting.

The Deputy Vice-Chancellor further reported that a recent revaluation of the Teachers Pension Scheme (TPS), which was a government backed scheme, was likely to recommend an increase in employer contributions from 16.48% to 23.7% and an increase at that level would add another £2 million to ongoing staff costs. It was suggested that this could have been influenced by proposals made by the privately owned Universities Superannuation Scheme (USS) last year although these had now been revised downwards following a further review. A member observed that such a recommendation would also hit schools and colleges hard.

Concluding discussion, it was noted that the University' performance was expected to be one of the best in the sector. Committee members endorsed the Deputy Vice-Chancellor's thanks to the auditors and to the Finance team for their work in bringing matters together in a timely fashion.

The External Audit highlights memorandum and management letter were received.

In discussion of the last three items, it was noted that some re-ordering of the agenda might be helpful in future.

To note: Clerk

AC.18.034 Annual Report on Procurement and Value for Money

Received: Document AC/019/18

The Director of Finance introduced the report which outlined the work of the VfM group over the year and its contribution to the University's efficiency objectives especially in relation to expenditure commitments. In response to comments made in relation to the previous year's report, he drew attention to the categorisation of projects in terms of VfM as either risk reducing, value enhancing, cost saving or resource releasing.

In terms of work undertaken during 2017/18, he highlighted successfully completed projects including the implementation of the on-line expenses system, the production of a handbook and template from the institutional policy review project and implementation of the new Financial Regulations with an associated awareness raising programme. Significant progress had been made in terms of the Electronic Data Management (EDM) project in Academic Registry with the next step to transfer remaining paper records into electronic format. Projects which were expected to continue into the current year included full implementation of the Research Management and Computer Aided Facilities Management systems both of which had been successfully procured during 2017/18, further development of the student dashboard facility within the Quercus student record system and the continuation of strands from the Student Journey project. A number of tenders had also been let with associated cost savings. Evaluation work on previous projects had also been undertaken to ensure a continued positive assessment.

Looking forward to 2018/19, areas identified for consideration included a review of travel expenses, a review of Cleaning and Security to include cost benchmarking, and a long term project, sponsored by the Dean of Learning Services, to review the integration of student support services given the co-location of departments in the new Catalyst building. The Vice-Chancellor indicated that it was important that the project to review student support services incorporated a central role for the Director of Student Services.

In relation to the project on Cleaning and Security and a member's observation that this was often an outsourced service in other organisations, the Vice-Chancellor indicated that the proposal was for a benchmarking review rather than a tender. Whilst it was clearly important that the service was competitive, he pointed to the additional

benefits derived from in-house provision especially in relation to front-line student support. He also indicated that the current ratios used to determine the number of staff required were now some fifteen years old and might usefully be reviewed given that the majority of the estate was new build and easier to clean.

The Deputy Vice-Chancellor reported that the Efficiency return developed by HEFCE last year as a summary of VfM provision had been the subject of negative feedback from institutions and had been withdrawn by OfS. Somewhat surprisingly, OfS was not making any requirement for VfM reporting within the Annual Accountability return although it was embodied within the conditions of registration. In response to a member's question, the representative from RSM confirmed that VfM reporting was a requirement in all HE institutions.

Concluding discussion, members welcomed the informative report and it was suggested that it should be more widely circulated amongst staff. The Chair thanked the Director of Finance for the application of values against individual projects which was a helpful addition to the report.

The annual report on Procurement and Value for Money was received and approved.

AC.18.035 Draft Audit Committee report to the Board

Received: Document AC/020/18

The Chair introduced the report noting that it followed a standard format. She asked for views particularly in relation to the narrative commentary related to meetings during the year. In this regard, it was suggested that the language used did not always convey the level of challenge offered and that this should be further reviewed. A number of errors in dates were also identified for correction.

Action: Clerk

Noting the comment made in the HAR report, the Clerk and the Deputy Vice-Chancellor confirmed that the statements of opinion included at the end of the report followed the prescribed format and members agreed that these reflected the assurances received over the year.

Subject to satisfactory amendment (through Chair's Action), the annual Audit Committee report to the Board was approved.

Action: Chair

AC.18.036 Going Concern Statement (ASSUR)

Received: Document AC/021/18

The Deputy Vice-Chancellor introduced this item noting it provided a summary of key institutional performance data used to assess organisational sustainability. He reported that OfS had recently advised that this statement was no longer required for submission and it was therefore provided for information. Members agreed that the document offered a useful summary and should continue to be received.

AC.18.037 Risk Management Report (including risk registers)

Received: Document AC/022/18

The Director of Strategic Planning introduced the report noting that a copy of the full risk register had been attached for information. The overall position of the University remained unchanged with key risks centring on recruitment and retention. With respect to recruitment, he highlighted the strategic decision, supported by the Board, to maintain the quality of the student intake despite a more competitive environment and the decision, on ethical principles, not to make unconditional offers to prospective students. Attention was drawn to the potential risk to universities in the post-18 education review if they were seen to be carrying too much wealth and it was noted that the increased regulatory oversight from the OfS and the CMA had been included as a new risk in the Strategic Risk Chart.

In response to a question relating to the Fraud Risk register, it was noted that this had been reviewed in terms of the controls applied but was not included with the documentation.

Responding to a further question from a member querying whether the student experience, as described in the Student Journey project, should be included as a strategic risk, it was noted that this was partly covered by the risk associated with the NSS scores but was also embedded in many others.

Concluding discussion, the Director of Strategic Planning reported a recent data breach which had been reported to the Information Commissioners Office. The breach had involved salary and pension details of some staff being circulated in error to a peer group. The breach had been quickly identified and the Director of Strategic Planning confirmed that there were no issues in terms of fraud or identity theft.

The Risk Management report was received.

AC.18.038 HAR/IER Update

The Vice-Chancellor reported that, following the appointment of James Aston from BDO as the consultant for the independent effectiveness review (identified as a requirement in the HAR), a range of documentation had been requested and provided and that meetings with the consultant would take place on 6 and 10 December. Those involved included the Chair of the Board and the Chairs of Audit and Resources Committee as well as members of senior management and the Clerk. In addition to ensuring satisfactory completion of the HAR Action Plan, a number of other areas had been identified in the letter of engagement.

Responding to a member's question, the Vice-Chancellor confirmed that the University might well be the first to engage with the OfS through this process but the consultant involved was both independent and very experienced in HE matters. The resulting report was expected in late January but it was not known whether this would be published.

It was noted that some recommendations were to be expected from any review of this nature but that engagement should be undertaken with openness and confidence in the systems and procedures in place.

The Vice-Chancellor's update report on the HAR/IER was received.

AC.18.039 Fraud and Irregularity/Serious Incident Statement

Received: Document AC/023/18

The Deputy Vice-Chancellor introduced a new annual report on serious incidents and whistleblowing noting there had been one notification of whistleblowing (not relating to the work of any individual whilst employed by the University) during the period which had been reported

anonymously to the Chair of Audit. The matter had been investigated but was not found to warrant further action.

The annual report on serious incidents and whistleblowing was received.

SECTION B ITEMS

**AC.18.040 Policy approvals:
Bribery and Anti-Corruption Policy and Code of Conduct
Hospitality and Gifts**

Received: Document AC/024/18

Whilst noting that finance policies were reviewed annually, the Director of Finance introduced this item which provided a review schedule for formal approval on a rolling three year basis. There were no proposals for change to the Bribery and Anti-Corruption Policy or Code of Conduct. In relation to the Gifts and Hospitality policy it was proposed to drop the requirement to log all forms of hospitality and gifts with the Director of Finance as impractical and to replace this with authorisation from the Deputy Vice-Chancellor in relation to any gift with a value greater than £25. The acceptance of cash remained prohibited under any circumstances and this had been extended to capture cash equivalents such as gift vouchers. The potential for receipt of multiple gifts in any financial year was also now covered.

In relation to a member's query, it was noted that these were employment based policies which applied only to staff and governors. Other members of the University community were subject to separate procedures.

It was RESOLVED to approve the Bribery and Anti-Corruption Policy and Code of Conduct and the revised Hospitality and Gifts policy.

Action: Director of Finance

AC.18.041 RSM Progress Report

Received: Document AC/026/18

The Internal Audit representative (LR) introduced the report noting that this would be the format for future reports with the summary graphics building up over time. Whilst the first audits had yet to take place, the plan was taking shape in terms of scheduling.

The Progress report from RSM was received.

SECTION C

AC.18.042 Revised Audit Plan

Received: Document AC/026/18

The revised Audit Plan was received.

AC.18.043 Any other Business

There was no other business.

AC.18.044 Date and time of next meeting

The next meeting of the Committee is scheduled for 4 March 2019.