

BOARD OF GOVERNORS

AUDIT COMMITTEE

Minutes of the meeting held on 4 March 2019

Present

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

Officers in attendance

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

Observer

Helen Smallbone	Academic Registrar and Clerk Designate
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Apologies

There were no apologies.

The Chair welcomed Joanne Flitcroft to her first meeting of the committee

AC.18.045 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.18.046 Declarations of Interest

There were no Declarations of Interest specific to the meeting.

AC.18.047 Chair's Announcements

There were no announcements.

AC.18.048 Chair's Action

.01 TRAC and TRAC(T) Returns

Received: Document AC/028/18

Chair's action was noted in approving these returns for submission having received appropriate assurances from the Director of Strategic Planning and the Clerk.

In response to a member's question, it was noted that the fact that the recorded margin for sustainability and investment was outside the expected value, reflected the (relatively) high level of surplus generated by the University. This was essentially a positive position reported over a number of years which had allowed the University to continue to invest in its capital development programme and had been accepted by HEFCE as valid.

The Director of Strategic Planning indicated that no feedback on the returns had been received as yet from OfS.

.02 Audit Committee Annual Report

It was noted that the Chair had approved amendments to the Annual Report following comments at the last meeting and the revised report had been submitted to the Board.

AC.18.049 Minutes of the previous meeting

Received: Document AC/029/18

The minutes of the meeting held on 29 October 2018 were agreed and signed by the Chair as a correct record.

AC.18.050 Action Log

Received: Document AC/030/18

Members received the Action Log for the year noting that all actions were either implemented or ongoing.

AC.18.051 Matters Arising

There were no matters arising.

SECTION A ITEMS

AC.18.051 Internal Audit Reports

Received: Document AC/031/18

.01 Budget Management Control Environment

The Internal Audit representative (LR) introduced the report on this audit which had been undertaken to ensure that appropriate budgets were in place which were monitored effectively to support the ongoing financial performance and stability of the University. A number of areas of good practice had been identified and there was evidence of good information and training provision, embedded processes and high levels of staff engagement. Overall **the audit provided substantial assurance** and there were no recommendations for action. The Internal Audit representative indicated that this was an exceptional result which compared very favourably to similar reviews with other clients in the sector.

.02 Teaching Excellence and Student Outcomes Framework (TEF) and National Student Survey (NSS)

The Internal Audit representative introduced the report on the audit which had been undertaken to ensure there were adequate arrangements in place to support the quality of provision delivered by the University and its partners. A number of areas of good practice had been identified and there was strong evidence that processes were firmly embedded and adhered to with action plans followed through. Overall **the audit provided substantial assurance** and there were no recommendations for action. In terms of benchmarking, it was noted that this was an area of strong performance across the sector. The Vice-Chancellor indicated that, whilst there were a number of concerns about the way university performance was assessed through processes such as TEF and NSS, staff were aware of the importance of the outcomes and there was a high level of 'buy-in' to ensure excellent results were achieved.

In response to a member's question, the Vice-Chancellor confirmed that the University was addressing equality and diversity monitoring as noted in the report.

.03 Research Excellence Framework (REF) Management

The Internal Audit representative introduced the report on the audit which had been undertaken to ensure information included in the University's REF submission was accurate and consistent with records held in the supporting data systems. Overall, **the audit provided reasonable assurance** with one medium risk recommendation relating to the need for a formal action plan for management following on from REF 2014 and three low risk recommendations relating to the need for a template for Faculty/Department research strategies, updating of Faculty Research Committee Terms of Reference and a review of the University Research Committee's Terms of Reference to include oversight of the REF. All actions had been accepted by management. The Internal Audit representative indicated that, in benchmarking terms, this outcome was in line with the sector average. The link governor for research confirmed the report had been discussed at Research Committee and actions were being followed through.

In response to members' questions, the following points were noted:

- Whilst REF 2021 was based on the principle of universal submission, exemptions could be secured where these were

defined in the University's Code of Practice. It was anticipated that the University would seek exemptions for some staff in the professional Faculties where research activity was traditionally lower. A member suggested that there were significant opportunities for practice-based research and it was noted that this was a targeted area for development along with identifying more opportunities for staff to work with industry;

- Whilst the University expected to make considerable progress in the 2021 REF, this would not necessarily generate significant additional income since there was a limited pot of money for disbursement. The importance of research to the University lay in enhancing reputation rather than income generation;
- Experience in research would be one of the criteria considered in the appointment of a new Dean of Faculty of Education;
- External peer reviews of Impact case studies obtained for the 2014 REF had proved to be variable in quality and it was likely that the University would be cautious in its use for the 2021 exercise.

In receiving the Audit reports, members welcomed the approach taken by RSM in following through equality and diversity issues.

.04 RSM Progress Report

The Internal Audit representative introduced the report noting that the schedule of work was progressing as planned with no issues to report. She highlighted the attached risk register analysis which detailed the major themes identified across the RSM client base. It was noted that the colour coding and direction of the arrows used in the risk register analysis graphics could be clearer.

In response to a member's question, the Deputy Vice-Chancellor confirmed that the attached good practice leaflet in relation to cyber-security had been circulated to relevant staff.

With reference to the bidding opportunity to the £4 million fund advertised by Research England to support international research collaborations, it was noted that there was a maximum allocation of £500,000 for any individual bid and was typical of the funding approach adopted by OfS. The Vice-Chancellor agreed to ascertain whether the University had made a submission in this instance.

AC.18.052 Arrangements for External Audit Tender

Received: Document AC/032/18

The Director of Finance spoke to the report on the tendering process noting that six firms had asked for details, three had confirmed their interest and two had submitted bids by the deadline date. There was therefore no requirement for shortlisting.

Panel membership was confirmed as Lisa Greenhalgh, Christine Donnelly, Louise Robinson and Steve Igoe with presentations set for 28 March at 2.00pm. **The Director of Finance would confirm details.**

Action: Director of Finance

AC.18.053 Institutional Effectiveness Review: BDO Report

Confidential

Received: Document AC/033/18

The Vice-Chancellor spoke to the IER consultant's report which had been submitted to OfS and was confidential to the University and OfS at this time. Whilst the report had been received in mid-January, the University had not yet received any acknowledgement from OfS.

With regard to the small number of minor issues raised in the report, the Vice-Chancellor indicated that these had been noted and were being acted on. In relation to the statement that no assurance could be taken on Value for Money, he noted that, at the time of the review visit, the University had not published the breakdown of tuition fee spend (an ongoing registration requirement which does not come into force until 1 August 2019). It was noted that many universities were in a similar position and the website had been updated to include the relevant information the next day.

Despite the lack of communication from OfS, the Chair and members of the committee welcomed the report as a positive endorsement of the University's effectiveness.

The Deputy Vice-Chancellor indicated that the University would draw up a formal Action Plan to demonstrate compliance.

Action: Deputy Vice-Chancellor

AC.18.054 Risk Management Report

Received: Document AC/034/18

The Director of Strategic Planning introduced the report which showed little change in the risk environment with recruitment and retention remaining the highest level of risk. In this regard, he drew attention to the increased offer conversion rate and improvements in retention which mitigated the lower number of applications received. It was noted that the practice of making unconditional offers, widely adopted elsewhere in the sector, had drawn some fierce criticism and it was felt the University was beginning to see benefits from the principled approach taken with respect to recruitment.

It was noted that Brexit had appeared in the top ten risks for the first time. Whilst the University itself was not significantly exposed, it was likely that competitor institutions which were more reliant on EU recruitment would become more active in the home recruitment market.

In discussion, it was noted that the uncertainties posed by the expected recommendations from the Augar Review, especially in terms of tuition fee reductions, remained. This was a matter which would impact across the sector however and would have to be taken into account by the Department for Education in its response to the review. In the short term, the University had more financial resilience than many to withstand a significant income reduction although this would curtail the forward investment strategy. The Vice-Chancellor noted that applicant numbers were not set to increase until 2021 and it was important that the University sought to increase market share. In response to a member's question, the Vice-Chancellor confirmed that the University was alert to scenario planning and there was a high level of confidence around the management of issues that were within the control of the University.

Turning to matters concerning reputation, the Vice-Chancellor highlighted the importance of NSS, TEF and Graduate employment outcomes to the University. He noted that the latest NSS was now underway and he drew attention to the efforts made to ensure staff were fully aware of the new subject-level TEF requirements. It was also noted that HESA had encountered some difficulties in bringing together the data for the revised graduate employment outcomes metrics which could affect reliability. The Vice-Chancellor noted that achieving 'top 50' status (a realistic target) would provide a significant level of protection for the University.

Concluding discussion, a member observed that the current risk analysis focused on operational matters and suggested that it would be useful **to include more on strategic risks such as diversification of income.**

To note: Director of Strategic Planning

The Risk Management report was received.

AC.18.055 Fraud and Irregularity/Serious Incident Statement

The Deputy Vice-Chancellor provided an update of the Smedley/Joynson case noting that both had been required to pay substantial sums to the Court under the Proceeds of Crime Act in order to avoid a lengthy extension to their sentences.

SECTION B ITEMS

AC.18.056 Monitoring Returns – NCTL and OFFA/NSP

Received: Document AC/035/18

.01 NCTL Return

The Director of Strategic Planning noted that this return formed part of the annual accountability reporting required by NCTL in relation to funding received. The return was accompanied by an assurance report prepared by KPMG which had found no issues. The Vice-Chancellor indicated that NCTL had accepted our data (as part of the Smedley review outcomes) the previous year with no issues raised.

.02 OFFA: Access Agreement and Student Premium Funding Monitoring Record 2017-18

The Director of Strategic Planning outlined the purpose of this return which provided evidence to OfS in relation to the University's stated commitments in the Access Agreement to supporting the widening participation (WP) agenda. He noted that OfS was looking to move to a five year cycle in future and was likely to have an emphasis on broader themes.

In response to a member's question concerning the visibility of the University's WP commitments to prospective students, it was noted that the financial support scheme operated by the University was centred around on-course students who could apply for funding to support access to opportunities (such as work placements or study abroad) to enhance their employability. The Vice-Chancellor indicated that the University also employed a large team of staff who worked with schools to raise ambition. This included working with children of all ages.

The Director of Strategic Planning reported that there had not been any feedback to date on the return.

The NCTL and OFFA returns were noted.

AC.18.057 Value for Money Update report

Received: Document AC/036/18

The Director of Finance introduced the report which highlighted progress on 2018/19 projects:

- *Catalyst Building* – the most significant build project undertaken by the University, this would be subject to a full VFM evaluation later in the year.
- *Tableau* – Roll-out of the Tableau Business Intelligence system was ongoing with areas such as student attendance monitoring now operational. A user group was being established to gain feedback.
- *Research Management System Phase 2* – Core aspects were now in place for live testing with all aspects expected to be operational by Autumn 2019.
- *Data and Systems: Student Records* – Part of the wider Student Journey project reported as an appendix, this work was progressing although some limitations with the student record system had been identified.
- *Travel Review* – Noted as a significant spend area, the University was looking to identify a preferred supplier for travel management services across the University with a view to achieving significant savings.
- *Computer Assisted Facilities Management System (CAFM) Phase 2* – This system was now live and was beginning to build data which would help in spotting trends and provide a better understanding of maintenance requirements.

- *Review of Cleaning and Security* – The review of cleaning services in the Catalyst building was complete with in-house services judged to offer the best VFM and cheapest price. Security would be reviewed later in the year.
- *Electronic Data Management: Academic Registry Phase 2* – The move to electronic records had progressed well. A full EDM solution was still to be considered.
- *Future of Student Support Services* – This project supported work to streamline aspects from the three different services housed in Catalyst in order to benefit students. The project was progressing well with support from staff for the necessary cultural change.
- *Tenders* – A number of tenders would be considered over the year with a view to achieving the best VFM.

In response to a member's question, it was noted that notional financial values would be attached to projects in the end of year report.

Members welcomed and received the Value for Money Update report noting the breadth of projects covered.

AC.18.058 RSM HE Risk Register Analysis

Received: Document AC/037/18

It was noted that this had been covered with the RSM Progress Report.

AC.18.059 Medical School Update Report

Received: Document AC/038/18

The Vice-Chancellor introduced the report noting that, following GMC approval of the outline curriculum, the programme had now been validated. Proposals for refurbishing and equipping the LINC building to accommodate the Medical School had been drawn up and, following in-principle approval at Resources Committee, would be presented to the next meeting of the Board for approval. Applications for the Foundation Year had been strong (103 for 15 places) allowing for a competitive selection process.

The Medical School Update report was received.

AC.18.060 Any other Business

There was no other business.

SECTION C

AC.18.061 Date and time of next meeting

The next meeting of the Committee is scheduled for 3 June 2019.