

## BOARD OF GOVERNORS

### AUDIT COMMITTEE

Minutes of the meeting held on 1 March 2021

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#### Present

|                    |                    |                               |
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| Lisa Greenhalgh    | Committee Chair    | Deputy Chair of the Board     |
| Helen Smallbone    | Clerk to the Board |                               |
| Debra Chamberlain  | KPMG               | External Audit representative |
| Christine Donnelly | Independent member |                               |
| Clive Elliott      | Independent member |                               |
| Joanne Flitcroft   | Independent member |                               |
| Richard Lee        | KPMG               | External Audit representative |
| Lisa Randall       | RSM                | Internal Audit representative |
| 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         |

#### Apologies

|              |     |                               |
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| Kashif Azeem | RSM | Internal Audit representative |
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#### AC.20.046 Declarations of Interest

There were no declarations of interest.

**AC.20.047 Chair's Announcements**

The Chair highlighted that, having served on the Audit Committee for six years, Louise Robinson had transferred to the Resources Committee for her final term in office as a governor. The Chair noted Louise's significant contribution to the Audit Committee, and expressed her gratitude for this.

**AC.20.048 Chair's Action**

There was no Chair's Action to report.

**AC.20.049 Minutes of the previous meetings**

*Received: Document AC/029/20*

The Clerk introduced minutes from the meetings held on 2 November 2020 and 25 January 2021. Both sets were agreed to be accurate records.

**AC.20.050 Action Log**

*Received: Document AC/030/20*

The Clerk introduced the Action Log, noting that all actions were either in progress or completed. She highlighted that a member had noticed in advance of the meeting that the Financial Statements were mislabelled as 2019, rather than 2019/20, and reported that this had been corrected on the master copy of the Action Log.

**AC.20.051 Matters arising not included elsewhere on the agenda**

There were no matters arising.

SECTION A

**AC.20.052 Coronavirus (Covid-19): Risk Management and Internal Control Management Update**

*Received: Document AC/031/20*

The Deputy Vice-Chancellor (DVC) introduced the Covid-19 update, noting that the report indicated continued very low levels of the virus among the Edge Hill community. He explained that at the last weekly meeting with Public Health, the University's classification had been improved to Tier 2 on the Department for Education (DfE) tier system, having been set at Tier 3 when the latest lockdown came into force. It is expected the University's classification to be further reduced to Tier 1, the lowest level of risk in the system, by the return of the majority of students later in the spring, meaning all courses will operate a blended approach with face to face and online provision.

The DVC reported that, since the papers were circulated, the Prime Minister had announced the Government's Roadmap out of Lockdown. This incorporated a range of milestones for the University including the return, on 8 March, of students undertaking courses with practical elements or requiring access to specialist facilities. The return to face to face teaching for remaining students would be subject to review on 12 April. The Prime Minister aimed to remove all restrictions by 21 June, and the University hoped to hold two weeks of graduation ceremonies in July.

In view of this announcement, the DVC had written to all staff explaining how the University would respond to the roadmap. His communication provided assurance about the increased provision of Lateral Flow (asymptomatic) testing on campus, and the continued presence of the PCR testing facility. He also reported that the vaccination centre hosted on the campus had been well received by the local community, enabling in the region of 1000 vaccinations per day.

It was noted that around half of residential students had chosen to return to their accommodation on campus. The University had reminded returning students of their obligations to behave in accordance with the University's Community Pledge, and in line with DfE guidance – particularly in respect of travel home.

It was acknowledged that the rollout of face to face teaching was presenting pressure for industrial relations, and UCU (nationally and locally) continued to express concern about the return to face to face teaching. The DVC reiterated that infection rates on campus were exceptionally low, and the measures undertaken by the University to protect staff and students had been effective throughout the pandemic – with no work place transmission recorded for any teaching staff member at Edge Hill. This mirrored the generally positive position for higher education, which had performed favourably to other sectors.

In response to members' questions minor discrepancies concerning data in the report were clarified, and it was noted that:

- A recent house party involving Edge Hill students had been covered in both local and national media due to breaches of lockdown restrictions. The University had initiated its standard investigatory procedures for the students involved in the incident and a confidential investigation would be conducted in line with due process.
- The University has very few international students who would be affected by the Government's new quarantine policy as the travel corridors are closed for those areas the University tends to recruit from. Relevant colleagues were in regular contact with our international students and were continuing to provide support.
- All students had been made aware of their responsibilities under the Community Pledge and behaviour within the student community had, for the majority, been admirable. The University was confident that students would continue to act responsibly despite the ongoing nature of the circumstances, but would continue to monitor the position.

Members thanked the DVC for the comprehensive report, and expressed their continued confidence in the University's arrangements and gratitude to the leadership team for their excellent work.

The Coronavirus (Covid-19): Risk Management and Internal Control Management Update was received.

## AC.20.053 Internal Audit Reports

Received: Document AC/032/20

### *.01 Staff Welfare Framework*

The Internal Audit Representative introduced the report on this assignment, which had tested the University's framework for managing staff welfare, taking account of revised activities and initiatives following the impact of the Covid-19 pandemic.

Overall the audit provided Substantial Assurance, with no management actions identified. Noting a very positive report, the Internal Audit Representative confirmed that the University has in place strong controls and processes to support the ongoing embedding of a welfare culture. The University has continuously sought the feedback of its staff through pulse surveys and this has been incorporated into the review and improvement cycle for staff welfare. The Internal Audit Representative noted that the University compared favourably in light of their experience of activity elsewhere.

Members welcomed the positive report, noting an excellent outcome.

### *.02 Performance Reporting, Decision Making and Forecasting Framework*

The Internal Audit Representative introduced this report which tested the University's performance reporting, decision making and forecasting framework in place in response to the Covid-19 pandemic.

Overall the audit provided Substantial Assurance, with no management actions identified. The University's performance reporting, decision making and forecasting framework was considered to be strong and effective throughout the pandemic, with the management team to be commended for their agility and pro-activity. In terms of governance, ongoing updates and timely reporting of information was provided to Resources Committee and the Board of Governors. The Internal Audit Representative confirmed that the University again compared favourably to other organisations.

Members welcomed the positive report, noting an excellent outcome for the University which is to be commended in light of the challenging circumstances emanating from the pandemic. In respect of this, the

DVC recorded his thanks to the Director of Finance and his team for their agility and contemporaneous reporting throughout the period.

*.03 Estates Management: Asbestos*

The Internal Audit Representative introduced this report, which tested whether the University has in place an established and effective control framework for the management of asbestos.

Overall the audit provided Substantial Assurance, though recommended three low-priority management actions. These actions related to ensuring that:

- buildings listed on the Asbestos Management Plan are also recorded within the Invida system
- information relating to management surveys, refurbishment or demolition surveys, and re-inspection surveys are recorded accurately on Invida - and that the system is updated to reflect progress.

In response to a member's question, it was confirmed that the Safety Management Strategy would be updated in line with the agreed schedule.

The Chair thanked the Internal Audit Representative for the reports, noting these had provided strong assurance across a range of important areas.

The Internal Audit reports were received.

**AC.20.054 Risk Management Report**

*Received: Document AC/033/20*

The Director of Strategic Planning introduced the report, explaining that it had two purposes. The first of these was to set out the normal risk management report to provide the Committee with information about the University's current strategic risks and the mitigations in place to control these. The second purpose of the report was to introduce the new Board Assurance Framework template which the Director had developed in liaison with designated governors, and in consultation with the Internal Auditors. If agreed by the Committee, this will replace the standard risk management report.

### *01. Strategic Risks*

In respect of current risks, the Director noted little movement since the last report, with student recruitment, retention and graduate outcomes presenting the main areas of risk. He highlighted the challenging external environment, with government policy increasingly focussed on alternatives to higher education, along with the stagnation and potential reduction of tuition fee levels. He also noted the sharpened focus on higher education qualifications leading to graduate employment, with courses increasingly seen to be low-quality if specified criteria relating to graduate outcomes weren't achieved. This concept had been crystalized in the Office for Students' new metric 'Projecting Entry to Professional Employment', which sought to identify low quality courses through a simple, un-benchmarked, figure relating to student completion and progression in to employment/further study (or other specific circumstances).

He noted that the University was unable to avoid or negate risks which emanated from government policy, but provided reassurance that mitigating controls were in place to reduce the risk where possible. For example, the University has continued to adapt its portfolio of programmes in line with government funding priorities, including the expansion of professional healthcare programmes and STEM subjects. This continual portfolio development, including expansion of postgraduate provision, also sought to mitigate the risks relating to student recruitment, and enhance graduate outcomes. Work on student recruitment had been strengthened, and significant investment had been made to ensure opportunities are provided to students to enhance their employability and employment prospects.

### *02. Board Assurance Framework*

The Director noted that the Committee had previously agreed to trial a change in the reporting format for risk management. He highlighted the content was similar to the former Risk Management Report, but with increased reference to the University's strategic aims and a visual style to help governors assimilate the information provided.

The Director explained that this format had been widely adopted in the public sector and he had benchmarked the new template against those in other providers. If Audit Committee was satisfied with the template, he would present a similar option for the KPI Report to the full governing body for their consideration.

In opening discussion on the item, the Chair noted that the Director had responded to several questions from governors about the documentation in advance of the meeting. To ensure transparency, the Chair requested these points were noted, and recorded in the minutes to the meeting.

The relevant comments and the Director of Strategic Planning's response had concerned:

- Agreement that the risk rating for the University failing to comply with regulatory requirements was likely to be High in respect of the potential impact on enhancing teaching, learning and the student experience; though a general acknowledgement that the Regulator is evolving its regulatory approach and this will be an area to watch in terms of the potential implications of the new regulatory regime
- Clarification about the status of Residual Risk, that is – it reflects risk after the current control actions have been applied
- Noting the value of adding target timeframes concerning control gaps and assurances – with agreement that, as a minimum, a report on progress would be presented on a termly basis
- Clarification about the University's action relating to risk around recruitment, and the University's corresponding work to expand our reach via social media and through outreach and partnerships, including international collaborations
- Confirmation that the Student Experience team would own and coordinate the action relating to the University failing to maintain high levels of student satisfaction; and acknowledgement that the recent NSS scores mean the University would need to consider whether risks around student satisfaction remained Low
- Recognition that the University will need to be agile in relation to changes in the post-16 education landscape
- Acknowledgement of the risks associated with post-qualification admission, and the reality that such a system would be unlikely to benefit any area at Edge Hill – though could have a detrimental impact where courses include an interview process
- Noting the value of scenario planning relating to recruitment, which is factored into projecting entry rates at subject level, and integrated throughout the University's planning and review processes.

In view of more general observations, it was agreed the report would benefit from the use of bullet points and being more concise in some parts. Minor aesthetic changes to assist users' interpretation were also suggested, for example ensuring headings are repeated on each page.

Overall the members agreed that the report contained a good set of strategic risks, and thanked the Director for his development of a very useful model.

The Director thanked governors for their feedback and agreed to incorporate these comments in future iterations of the report.

**Action: Director of Strategic Planning**

The Clerk noted a parallel piece of work being undertaken by the Governance Working Party (GWP). She informed the Committee that the GWP had moved into its final phase and was considering the Board's committee structure. To inform decision-making in this area, the group was developing an analysis of the Board's main functions and how assurances are received. This analysis will consider all the items received by the Board and its committees, and the value and assurances gained from each item. The GWP will use this to evaluate whether the Board has optimum business schedules, committees and membership. It is expected that this work will lead to the volume of business being reduced to better enable governors to concentrate on strategic matters. The Clerk highlighted that this work would complement the Board Assurance Framework and noted that she would liaise with the Director of Strategic Planning as appropriate.

The DVC welcomed governors' positive feedback on the new approach, particularly their focus on strategic issues as opposed to operational matters. He noted that his experience of board assurance frameworks and risk management in other organisations had been mixed, with some boards opting to include minutiae at the expense of strategic focus. If done well however, board assurance frameworks can be a real asset.

The Chair thanked the Director of Strategic Planning for the work undertaken on the revised format, and noted **the Committee was content to adopt this model for future reports.**

**AC.20.055 Risk Management Strategy**

*Received: Document AC/034/20*

The Director of Strategic Planning introduced the Risk Management Strategy, noting that it was originally produced in 2017, but had been revised to take account of the University's updated Strategic Plan and the new risk management framework detailed in the previous item. He explained that management routinely review the strategy on an annual basis but that he sought ratification of the overarching strategy by the Audit Committee for a three-year period.

In discussion the Committee agreed that the strategy would be more accessible with the inclusion of visual elements, for example diagrams which detail the hierarchy of roles and responsibilities, and bullet points where appropriate. Members also agreed the strategy would benefit from clear references to the guiding principles behind the strategy, and how the principles align to regulatory or business requirements.

**Action: Director of Strategic Planning**

**The Audit Committee agreed to approve the Risk Management Strategy until March 2024, subject to the amendments agreed.**

**AC.20.056 Whistleblowing Policy**

*Received: Document AC/035/20*

The DVC introduced the Whistleblowing Policy. He explained that the policy had previously been considered by the Committee in March 2020, but had not been approved at that point since, as changes had not been tracked, the Committee was uncertain about the volume and nature of the changes requested. He noted that the Committee had now been provided with a copy containing tracked changes. This demonstrated that, while a significant plain English review had been undertaken this had not changed the material elements of the policy since it was developed.

Having been assured that the policy continued to meet external requirements, **the Committee approved the Whistleblowing Policy, as presented, to March 2024.**

**AC.20.057 Fraud and Irregularity/Serious Incidents Statement**

The DVC confirmed that there were no new issues to report.

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| <b>SECTION B</b> |
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**AC.20.058 RSM Progress Report**

*Received: Document AC/036/20*

The Head of Internal Audit presented the Progress Report, which provided an update on progress against the Internal Audit Plan and summarised RSM's work since the Committee's last meeting.

As reported in an earlier item, the auditors had completed work in three areas, and had noted substantial assurance in all three. There were three low-priority management actions, which had implementation dates agreed - and would be followed up in due course.

There are no concerns to raise and work is progressing well.

In response to a member's question, it was clarified that there are no changes to the Internal Audit Plan, and that the suggestion in the report that there may be one change had been corrected.

The RSM Progress Report was received.

**AC.20.059 Capitalisation Policy**

*Received: Document AC/037/20*

The Director of Finance introduced the Capitalisation Policy, noting that following a review of the policy it was proposed that the University increase the threshold at which assets are capitalised, from £10k to £20K.

The Director explained that the increase would have a positive impact in that it would enable the University to capture a greater level of spend on staff and student facilities in monitoring returns given only non-

capitalised expenditure is currently included in relevant aspects of financial returns.

He explained that:

- The impact in terms of the write-off of the net book value of assets between 10-20K would be c.£400,000 when taking account of the reduced depreciation charge that would be applied.
- The University's External Auditors have been consulted, and the Committee could be assured that the figures would not be seen as material from an External Audit perspective.
- Benchmarking against other HE providers showed that an increase to £20k would not be significantly out of kilter with universities of a similar size.

The Director highlighted however that the change carries some risk in that there would be a reduction in central oversight of the University's assets through the central fixed asset register. However, he assured members that there is already a strong control environment and all departments are required to keep asset lists regardless of value, and to testify to annual activity through a process which is coordinated by the central Finance team.

In response to questions from members, it was noted that:

- A precise figure couldn't be given for how much expenditure this would relate to on an ongoing basis. Spending would vary from year-to-year, based on requirements for spend in the range of 10-20 thousand pounds in each relevant period. Whilst the figure can't be predicted, the management view is that the figure would be sufficient in the context of the individual elements we return to warrant the change, and any impact wouldn't be lost in rounding.
- The University was already operating with a Capitalisation Policy where large values could be written off because, for example with IT equipment, there could be a large number of smaller value items. There would inevitably be significantly less items in the 10-20 thousand pound category.
- In relation to this financial year, there are no concerns about the impact on the University's surplus and no suggestion that this change would have any adverse impact on external interpretations of the accounts.
- National league tables suggested that other providers with similar spend profiles to ours were already recording their staff

and student facilities spend using the approach proposed. This provided the misguided impression that they spend significantly more on facilities than Edge Hill. Taking the proposed action would help to make the public record more accurate.

Members noted the risks that had been identified, and the reassurances about the control environment – which was required in any case given the University’s current policy. Overall, the Committee agreed that the benefit of a policy which enables the University to make reports which better reflect the University’s spend on staff and student facilities outweighed the risk of increasing the tolerance level for local activity given the University’s current control environment for departments. Further, in view of the University’s record, the Committee agreed that the business risk was small when compared to the potential benefits.

**The Committee agreed to approve the revised Capitalisation Policy.**

**AC.20.060 Any other business**

There was no other business.

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| <b>SECTION C</b> |
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**AC.20.061 Date and time of next meeting**

The next meeting of the Committee is scheduled for 7 June 2021.

**AC.20.062 KPMG: Year End Report 2019/20**

*Received: Document AC/038/20*

The Committee received the KPMG: Year End Report 2019-20.