

BOARD OF GOVERNORS

AUDIT COMMITTEE

Minutes of the meeting held on 18 October 2021

Present

Lisa Greenhalgh	Committee Chair	Deputy Chair of the Board
Helen Smallbone	Clerk to the Board	
Kashif Azeem	RSM	Internal Audit Representative
James Boyle	KPMG	External Audit representative
Christine Donnelly	Independent member	
Clive Elliott	Independent member	
Joanne Flitcroft	Independent member	
Lisa Randall	RSM	Head of Internal Audit
Mike Tate	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

Mike Rush	Independent member
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In-camera session

Prior to the commencement of scheduled business, members held a private meeting with the internal and external auditors which is minuted separately.

AC.21.002 Declarations of Interest

There were no declarations of interest.

AC.21.003 Chair's Announcements

The Chair welcomed Mike Tate to his first meeting of the Committee. She also noted that Joanne Flitcroft was due to complete her term in office and thanked Joanne for her contributions to the Committee.

AC.21.004 Chair's Action

There was no Chair's Action to report.

AC.21.005 Minutes of the previous meetings

Received: Document AC/001/21

The minutes of the meeting held on 7 June 2021 were agreed as an accurate record.

AC.21.006 Action Log

Received: Document AC/002/21

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

AC.21.007 Matters arising not included elsewhere on the agenda

There were no matters arising.

SECTION A

AC.21.008 Board Assurance Framework

Received: Document AC/003/21

Reported: Clive Elliott, the Lead Governor for the Board Assurance Framework (BAF), updated the Committee on his recent work piloting the Lead Governor Scheme. This included a positive meeting with management

colleagues about how the existing BAF could be refined and evolve. To ensure the BAF and related reports to the Board meet governors' assurance needs, with an appropriate hierarchy between Audit

Committee and the Board, input was now sought from governors. Whilst comments were welcome immediately, it was anticipated that a workshop-type session would be coordinated. This would ensure that all governors could input to developing the University's BAF, thus maximising its value and ensuring a common understanding amongst members.

The Director of Strategic Planning echoed the Lead Governor's comments and welcomed the developments.

Discussed: 01. BAF development

Members welcomed the proposal for a designated workshop, and were keen to use this opportunity to ensure the BAF meets the Committee's more detailed objectives as well as the higher-level strategic needs of the Board.

In terms of immediate feedback, several presentational points had been identified on Convene and the Director of Strategic Planning agreed to address these in the next iteration of the BAF.

Action: Director of Strategic Planning

02. BAF content

The Director of Strategic Planning noted that there had been no substantive changes to the University's current risk profile, although brand and reputation had been integrated into the BAF following a request from the Board. This reflected the increasing importance of communicating excellence as well as delivering it. Student recruitment, retention and graduate outcomes continue to be prioritised.

In terms of risks emanating directly from the Covid-19 pandemic, these had reduced significantly. The BAF had therefore been amended to reflect the return to a more 'business as usual' model. The University's key external risks now related to forthcoming government policy announcements, and – to a lesser degree - supply chain delays and shortages relating to Brexit and the pandemic.

It was noted that business continuity risk is multi-pronged. It may concern individual threats such as a pandemic, strike action, supply chain issues, cyber-attack etc, though might also include a combination of these issues materialising in tandem. In discussion about the

robustness of the University's business continuity plans for single or multiple issue incidents, the Committee was assured by:

- findings of a recent internal audit on the University's approach to business continuity
- a detailed explanation of the University's Risk Management Group's work in overseeing departmental plans
- assurance that departments proactively addressed prospective issues on an ongoing basis in light of any known risks.

Further, members expressed confidence that the University's leadership team is highly skilled and experienced, and operates with an agile and tightly controlled approach which enables them to deal effectively with any unexpected circumstances. A prime example being the University's response to the Coronavirus pandemic, which was lauded in the House of Commons.

In response to a question from the Chair, the Head of Internal Audit confirmed that the risks identified by the University were in line with those raised elsewhere in the sector; the most common issues being matters relating to the pandemic, staffing, Brexit and Augar.

The External Audit representative observed that Climate Change was a growing concern for audit committees and agreed to **provide guidance from KPMG on areas audit committees should consider in terms of assessing this risk.**

**Action:
Clerk/KPMG**

Members also acknowledged that the threat of a cyber-attack was increasingly problematic for the sector, with around ten universities seriously impacted in the recent past. Alertness to this risk remained a live conversation for the University, with recent action taken to enhance firewalls and deploy the latest software to desktops. The significant cost of this action was considered appropriate given the potential implications of an attack.

In terms of detailed feedback, several technical points had been identified on Convene which the Director of Strategic Planning agreed to address in the next iteration of the BAF.

Resolved: To receive the Board Assurance Framework.

AC.21.009 Draft 2021 Financial Statements

Received: Document AC/004/21

Reported: The Director of Finance introduced the Financial Statements. He reported that, while the statements were in draft form, the material content was not expected to change before presentation to the Board of Governors for approval in November. The possible exception to this was pension liabilities which, while substantially complete, were awaiting confirmation of KPMG's opinion.

Discussed: Members noted a clean audit, and the significant reassurance that was provided by the External Auditor's thorough work. In particular, members welcomed the interrogation of the tuition fee collection system, which had proven to be reliable and highly effective.

Regarding the outstanding opinion on pensions, members noted that the valuation of pension liabilities is considered to be a complex area. The valuation relies on statistical inference and assumptions across three pension schemes which each have different liabilities. The Committee recognised that assumptions could not be made until the final opinion was confirmed. Members would therefore ensure any changes to the draft were noted when the final accounts are considered by the Board in November.

In response to a question from a member, it was confirmed that the loss in disposable assets was attributed to the recent change in the capitalisation threshold. The Committee noted that the figures aligned with those speculated when the threshold change was proposed.

The Chair referred members to 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 comprehensive commentary and in line with reports received during the year, including the approved change to capitalisation levels. Members were also comfortable with the accounting policies applied and were content that all significant or complex transactions had been considered.

Finally, the Director of Finance noted that he would address minor points of presentational accuracy made via Convene.

***Resolved:* To recommend the Draft 2021 Financial Statements to the Board for approval.**

AC.21.010 External Auditor's Draft Letter of Representation

Received: Document AC/005/21

Reported: The KPMG representative noted that the Letter of Representation followed a specified format. It provides confirmation that any estimates or assumptions made in the statements are reasonable and that unrestricted access had been provided to all information and persons within the organisation. No engagement-specific risk had been identified during the audit.

Discussed: Members noted assurances to date that the Financial Statements have been properly prepared, and that they presented a fair and accurate view.

Resolved: Noting the minor scope for change due to the completion of auditing activity, it was **resolved to recommend the draft Letter of Representation to the Board**. A final copy would be received by the time of the Board meeting.

AC.21.011 External Auditor's Audit Highlights Memorandum and Management Letter

Received: Document AC/006/21

Reported: The KPMG representative introduced the audit highlights, outlining that audit work was largely complete and had identified only one low-risk recommendation relating to declarations of interest. Significant progress had been made since the time of writing the report and the accounts were now close to completion. He reiterated that there were no areas of concern for the Committee's attention and highlighted the positive nature of ongoing work with management to achieve this position. This included early and full attention to the assessment of the University as a going concern. He highlighted that there had been no adjusted or unadjusted audit difference, which is an excellent outcome for management.

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

- The reference to there being no 'adjusted or unadjusted audit difference' relates to activity above the threshold. Nevertheless, the

KPMG representative confirmed there had been limited issues below the threshold, and if there were a collection of low-level issues this would be highlighted.

- The graphics bar marking the range of potential judgements (from cautious to optimistic) applied to Audit Risks around pensions only, given the level of speculation required for this significant area. This graphic therefore wasn't relevant for other areas.
- The one low-level issue had now been resolved, with preventative measures introduced to prevent reoccurrence.
- The core fee for external audit was fixed for the three year period of the contract, although it would increase in line with inflation following on from the first year.

Resolved: To receive the external auditor's Audit Highlights Memorandum and Management Letter.

AC.21.012 Going Concern Statement

Received: Document AC/007/21

Reported: The Deputy Vice-Chancellor (DVC) noted that the report provided a summary of key institutional performance data used to assess organisational sustainability and was shared to support the Committee's confidence in approving the accounts on the basis that the University is a Going Concern.

Discussed: Noting the University's strong cash position, the Committee agreed that the metrics indicate that the University has the resources necessary to continue operating on a Going Concern basis, and clearly support the fact that the University is a Going Concern.

Resolved: To receive and endorse the Going Concern Statement.

AC.21.013 Serious Incidents and Whistleblowing Annual Report

Received: Document AC/008/21

Reported: The DVC confirmed there had been no serious incidents or whistleblowing reports in 2020/21.

Resolved: To receive the Serious Incidents and Whistleblowing Annual Report.

AC.21.014 Internal Audit Annual Report

Received: Document AC/009/21

Reported: The Head of Internal Audit introduced the annual report which outlined the work undertaken during the year. She noted that this was in line with the Internal Audit Plan, and that work had progressed smoothly. The report confirmed that for 2020/21, RSM's opinion was that Edge Hill had an adequate and effective framework for risk management, governance and internal control, and economy, efficiency and effectiveness. This is the most positive rating that could be given, and reflects the very strong control environment at Edge Hill.

Discussed: Members noted the excellent outcome, which was supported by individual assignment reports which had indicated highly effective arrangements and operations across all areas covered.

The assignments provided Substantial Assurance with limited management actions. However, LR reiterated that she is always cautious about any clean assignments and pays close attention to the findings. In the case of the work undertaken during the period, the Committee could be assured that the findings were sound and the results are a credit to the University.

The Committee agreed that the assignment reports during the period were thorough and commended management and all staff of the University for their exceptional work to achieve such positive outcomes.

Resolved: To receive the Internal Audit Annual Report.

AC.21.015 Internal Audit Reports

Received: Document AC/010/21

.01 GDPR Governance Framework

Reported: The Internal Audit Representative (KA) presented the assignment report, which considered the University's data governance processes, procedures and controls relating to the General Data Protection Regulation (GDPR). The audit was of an advisory nature and so no assurance finding was required, though KA noted that no management

actions were identified and the assignment generated positive opinions overall.

Discussed: Members noted satisfaction with, and assurance from, the assignment report.

.02 Framework for Data Quality: HESA Student Record

Reported: KA introduced the report which was designed to test the quality of data provided for the Higher Education Statistics Agency's (HESA) Student Record return submission process.

Overall, the **audit provided Substantial Assurance** with no recommendations for management action. The positive report concluded that the University has an established framework in place for the preparation, review and submission of the HESA Student Record return.

Discussed: Members noted satisfaction with and assurance from the detailed assignment report.

.03 Management of Student Housing

Reported: KA noted that this report intended to assess the University's compliance with the selected mandatory elements of the UUK/GuildHE Code of Practice for the Management of Student Housing ('the Code').

The audit was advisory but found no evidence of non-compliance with the Code. Whilst the audit was generally very positive, two low priority management actions were identified.

Discussed: In response to questions it was noted that:

- Insurance costs were calculated separately to core accommodation fees and therefore it was fair to say that the University had entered into an arrangement with a designated provider which meant that students were not charged for insurance.
- Information for students was made available in accessible formats.

It was also agreed that the timeframe for an action relating to notifications about entering student accommodation without notice should be brought forward. Whilst it was understood that the timeframe

specified was designed to align with the next round of updates to residential contracts, this should not prevent an **early clarification being provided by Facilities Management about the approach to accessing rooms.**

Action: Director of Facilities Management

In conclusion, members noted satisfaction with and assurance from the assignment report.

.04 Follow Up Report

KA introduced the report which updated the Committee on the progress made against management actions agreed in the previous year. He highlighted that 24 of the 25 management actions had been fully implemented. The remaining, low priority, action had been partially but not fully completed at the time of the review but was on track for an imminent completion.

Discussed: Members noted satisfaction with progress made against management actions agreed in the previous year.

Resolved: To receive the Internal Audit Reports.

SECTION B

AC.21.016 Draft Audit Committee Annual Report to the Board

Received: Document AC/011/21

Reported: The Clerk introduced the report noting that it followed a set format and had been prepared in light of the papers discussed during the meeting. The report was intended to provide the Board with assurances related to the University's arrangements for the following:

- Governance
- Risk Management
- Internal Control
- Economy, efficiency and effectiveness
- Data quality assurance

The report will be considered by the Board in full before they sign off the Financial Statements, in line with OfS expectations and accounting requirements.

Discussed: Governors noted that, aside from the ongoing pandemic, it had been a routine year for the Committee's business, with no unexpected items. Positive reports had been received from both internal and external auditors which, alongside the Committee's view, supported the draft narrative prepared by the Clerk.

Resolved: That the Committee had no concerns to highlight to the Board. To submit the Audit Committee Annual Report to the Board of Governors.

AC.21.017 Financial Regulations

Received: Document AC/012/21

Reported: The Director of Finance introduced the Financial Regulations noting that they were presented for approval in line with their scheduled review date. He confirmed that minor updates had been made to reflect changes to:

- the Board's committee structure
- internal department structures
- internal policies and processes

He noted that significant consultation had occurred in drafting the proposals, which had led to a recommendation for a more proportionate level of empowerment for designated staff. This included a recommendation to increase the authority limit from £10k to £25k for designated individuals (beyond a Director of Service) where it was agreed by the Director of Service that this would enable increased operational efficiency.

Discussed: In response to questions from the Committee, it was noted that Internal Audit are on occasions consulted by their clients in the process of updating financial regulations. It was agreed that Management should consult with the Internal Auditors as part of the next round of updates to ensure we benefit from best practice elsewhere.

**Action: Director of
Finance**

Resolved: To approve the Financial Regulations, to October 2024.

AC.21.018 Value for Money Assurance Statement

Received: Document AC/013/21

Reported: The Director of Finance noted that this report sought to summarise procurement and value for money (VfM) work undertaken during the year. The Committee also received the constitution of the VfM & Procurement Steering Group and VfM & Procurement Strategy, to provide assurance of effective management practices.

In terms of the work overseen by the VfM & Procurement Steering Group during the past 12 months, the Director of Finance gave a precis of work in the following areas:

- Online payment of atypical workers
- Restructure of Finance operations
- Restructure of HR and Payroll operations
- Asset management strategy
- Online e-portfolio builder
- Making tax digital
- Review of Edge Hill Sport operations
- Engage2Serve
- Tenders and evaluation

Looking forward to 2021/22, specific areas identified for consideration by the group included:

- New library management system
- Leave management
- Student internships
- Apprenticeship management
- Restructure of international operations
- Review of accommodation operations
- Tenders and evaluation

In addition, the following items have been carried forward from 2020/21:

- Online payment of atypical workers (carried forward from 2020/21)
- Making tax digital (carried forward from 2020/21)
- Review of Edge Hill Sport operations (carried forward from 2020/21)

Discussed: The Chair welcomed the report, though reiterated her longstanding aim for the report **to better articulate the quantitative saving (eg financial cost) or precise benefit** (eg enhanced student experience, student retention etc) that is desired or achieved.

Action: Director of Finance

In response to a question, it was confirmed that the restructure alluded to in the report (across Finance and HR) was minor, and not of material significance to the Board. A discussion ensued about the extent to which the Committee/Board should be updated or included in matters concerning major restructures and redundancy and members agreed **this should be clarified in the revised Scheme of Delegation due for implementation in 2022**. In this regard, it was noted that the Committee should not be involved in detailed matters, but would want to be updated on significant issues.

Action: Clerk

Overall, the Committee was pleased to note the VfM initiatives, and content that these were appropriate.

Resolved: To receive the Value for Money Assurance Statement.

AC.21.019 Committee Effectiveness Evaluation and Future Planning
(incorporating self-assessment of compliance with the Higher Education Audit Committees: Code of Practice)

Received: Document AC/014/21

Reported: The Clerk introduced the item noting that self-evaluation was critical to good governance practice. To ensure the Committee's work was informed by recognised good practice, an analysis of the Committee's compliance with the CUC Higher Education Audit Committee Code of Practice ('the Audit Code') was included. Confirmation of the Committee's confidence in the University's compliance with the Audit Code was also sought.

Discussed: In discussion, the Committee agreed that members questioned intelligently and with relevance. Challenge was always rigorous, but

also dispassionate and debate was constructive. Attendance and engagement had been excellent during the period, and members unanimously considered the Committee to be effective.

In view of the Clerk's analysis, the Committee confirmed its compliance with the Audit Code, subject to the implementation of the four actions proposed in the paper (detailed below).

Resolved: The Committee resolved to:

- i. Confirm its effectiveness for the previous 12 months.
- ii. Adopt the following guidance set out in the Audit Code:
 - a. Hold members-only sessions prior to the in-camera meeting with auditors. Auditors would then be invited to leave the meeting at the end to allow managers to raise confidential concerns with the Committee
[Action: Clerk]
 - b. Develop a policy on the provision and pre-approval of non-audit services **[Action: Clerk]**
 - c. Commission a piece of work for the Clerk to bring forward proposals on a more dynamic approach to self-review **[Action: Clerk]**
 - d. Update the Committee's Terms of Reference in line with the model guidance **[Action: Clerk]**.
- iii. Confirm the University's positive assessment that it is compliant with the Audit Code.
- iv. Confirm the business schedule proposed for 2021/22 [to include ongoing alertness to items concerning business interruption / continuity contingencies, as per discussion earlier in the meeting].

AC.21.020 Internal Audit Progress Report

Received: Document AC/015/21

Reported: KA introduced the report noting that audit work for 2020/21 was complete and RSM was now focused on assignments for 2021/22.

The accompanying report highlighted changes to the timing of some reviews, including budget management, compliance with the UUK/GuildHE Student Accommodation Code, and the BAF.

KA also brought to members' attention the publication of RSM briefing notes on news in the HE sector and UK food information.

Resolved: To receive the Internal Audit Progress Report.

AC.21.021 Any other business

.01 Internal and External Audit renewal arrangements

A record of the discussion is held in a separate file note.

SECTION C

The following items were received for information:

AC.21.022 Schedule for Data Returns 2021/22 (*Document AC/016/21*)

AC.21.023 Date and time of next meeting

The next meeting is scheduled for 21 February 2022. [*Clerk's note: subsequent to the meeting this date was changed to 30 March 2022*].