

## BOARD OF GOVERNORS

### AUDIT COMMITTEE

Minutes of the meeting held on 7 June 2021

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#### 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	
Richard Lee	KPMG	External Audit representative
Lisa Randall	RSM	Head of Internal Audit
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

#### AC.20.063 Declarations of Interest

There were no declarations of interest.

**AC.20.064 Chair's Announcements**

*External Audit Representative*

James Boyle, External Audit Representative, was welcomed to his first meeting of the Audit Committee. The Committee noted that James and Richard Lee would be the KPMG representatives to the Committee during Debra Chamberlain's maternity leave.

**AC.20.065 Chair's Action**

There was no Chair's Action to report.

**AC.20.066 Minutes of the previous meetings**

*Received: Document AC/039/20*

The minutes of the meeting held on 1 March 2021 were agreed as an accurate record.

**AC.20.067 Action Log**

*Received: Document AC/040/20*

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

**AC.20.068 Matters arising not included elsewhere on the agenda**

There were no matters arising.

SECTION A

**AC.20.069 Board Assurance Framework (incorporating Covid-19 update)**

*Received: Document AC/041/20*

The Director of Strategic Planning introduced the paper noting that he would address the University's strategic risks before taking feedback on the format of the new Board Assurance Framework (BAF).

*.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 focus – not least due to the Office for Students (OfS)'s development of a new experimental metric 'Proceed'. This metric 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 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 stressed that, whilst the University was unable to avoid risks which emanated from government policy, mitigating controls were in place to reduce the risks 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.

In terms of risks emanating from the Covid-19 pandemic, these have reduced significantly now that the University had absorbed the initial shocks of the pandemic, adapted working environments and tested business resilience. The University was currently responding well to the relaxing of restrictions and rates of positive cases and self-isolations on campus continued to be negligible, despite increased face-to-face teaching. The University continued to host a vaccination hub and testing centre which were available for the local community.

In response to questions, the following points were noted:

- National Student Survey (NSS) results will be available on 15 July.

- Updates on performance and plans relating to the NSS, Graduate Outcomes, and International Engagement would be presented to the Board in the autumn term. Business Enterprise developments would also feature as part of the options available for the Board to consider when agreeing the topics for presentations during the year.
- The USS pension dispute is not a major issue at Edge Hill as we have limited numbers in the scheme. However, the issue presents a major concern for many in the sector and Edge Hill is not immune from the ramifications of national unrest.

In terms of other risks, it was noted that there was no acknowledgment of the risk associated with loss of key personnel in the experienced Directorate team. The Chair assured the Committee that succession planning had been a feature of the Vice-Chancellor and Deputy Vice-Chancellor's annual appraisal in recent years and was carefully monitored by the Chair of Governors and the Chair of Audit in her capacity as Deputy Chair of Governors. The Vice-Chancellor reassured members that, whilst there was no immediate predictable threat to the senior team, in the event of an unplanned change the University had resilience in the form of experienced, highly skilled and talented colleagues across the wider Directorate Management Group. The Committee was assured by this and noted the Chair's confirmation that the position would be kept under review.

*.02 Board Assurance Framework format*

The Director of Strategic Planning indicated that he had updated the document in line with the Committees feedback at its March meeting. Of particular note was the inclusion of Key Performance Indicators to enable a holistic overview of strategic aims and risks that these may not be achieved, mitigating actions and performance indicators. Nevertheless, the Director recognised the burgeoning nature of the BAF and noted that it would take some time and further refinement for the BAF to become fully established.

He thanked members for the detailed comments that had been submitted in advance of this meeting and noted that he would address the presentational and technical points when the BAF is next updated. He then opened the opportunity for members to provide further feedback. In discussion the following points were noted:

- The BAF is a welcomed development, and members were pleased with the work that had been undertaken to progress this model. However, several members were not yet confident that the information was presented in an optimum way to enable them to synthesise the data and easily identify key issues and priority order.
- Whilst members were keen to see a more succinct overview, they recognised that the format and volume of information was typical for a BAF in a large and complex organisation. The RSM representatives and management officers with experience of using BAFs elsewhere confirmed that the document was similar to versions they are familiar with. It was also indicated that BAFs can often be larger in the developmental stages as organisations work through refining their requirements. In acknowledgement of this, the Committee agreed to continue to **refine the current document until such point as the Committee was satisfied that the BAF meets its requirements.**
- In the fullness of time, software will be deployed to support the delivery of the BAF which should assist the process of synthesising and formatting the information. A final specification for the content will be required before a business solution could be explored to populate the information.
- Clarity is required on the hierarchy of reporting across the Board's structure. There was consensus that consideration of the full BAF should be reserved for Audit, with high-level reports provided to the Board so that all governors have insight to the top risks and KPIs, and any significant movement. Members noted that top risks and KPIs were always likely to concern student recruitment, retention, satisfaction and graduate outcomes given the direct correlation that each of these items has with the successful functioning of the University. **It was agreed that an update on the BAF should be provided to the Board in July,** and that agreement should be sought on the hierarchy of reporting.

**Action: Clerk/ Director of Strategic Planning**

The Board Assurance Framework was received.

## AC.20.070 Internal Audit Reports

Received: Document AC/042/20

### *.01 Key Financial Controls (Covid-19 Controls)*

The Internal Audit Representative (KA) introduced the report on this assignment, which had tested the following key controls operated during the Covid-19 pandemic:

- Financial Ledger
- Accounts Payable
- Payroll / Recruitment

Overall **the audit provided Substantial Assurance**, with no management actions. The audit found that the University has in place an established control framework which had been revised to take into account working remotely and working from home, ensuring controls were not compromised and the segregation of duties were maintained from the initial lockdown period (from 23 March 2020) through to 'lockdown 2.0'.

### *.02 Medical School – Preparation for 1 September 2020 Intake*

The Internal Audit Representative (KA) introduced the report on this assignment, which tested the University's control framework in relation to the operation of the Medical School in terms of both the formation of the School and its operation to support progress monitoring and reporting. Additionally, this review considered the governance arrangements for registration with the General Medical Council (GMC).

Overall **the audit provided Substantial Assurance**, with no management actions. The audit confirmed that the University has in place an established and effective control framework in relation to the formation of the Medical School, with clear governance arrangements in place to monitor and report on progress in relation to the GMC application process.

In response to questions from members, the following information was noted.

- The number of contracts and placement agreements with partners is appropriate for the University's current needs and geographic location. At this stage in the process we have a limited intake progressing through the medical programme and thus the number of placements we require is minimal. Nevertheless, we have strong relationships with many trusts in the North West for when more capacity is required.
- The terms and conditions of the contractual agreements between the University and placement providers are determined through a national contract which ensures a standardised approach and consistency in the terms for all related placements. Providers commit to a specific number of students to place, though the University benefits from an allowance for providers to increase numbers. The University is also protected in the form of a lower limit that cannot be breached without penalties for the provider.

*.03 Risk Management: Business Continuity Planning Framework*

The Internal Audit Representative (KA) introduced the report on this assignment, which tested whether the University had operated in line with its Business Continuity Plan when managing risks in response to the Covid-19 pandemic.

Overall **the audit provided Substantial Assurance**, with confirmation that the University has well established and effective processes in place to deliver Business Continuity Planning. The University's governance framework is designed to ensure that institutional and departmental Business Continuity Plans are reviewed annually, and more frequently as required, including in light of the impact of the COVID-19 pandemic.

Whilst the audit did not identify any management actions, best practice was shared with the University to enhance the University's future practice rather than indicating any concerns about current provision.

Noting that all of the assignments had provided Substantial Assurance with no management actions, the Head of Internal Audit confirmed that she is always cautious about any assignments that are clean and pays close attention to the findings. In the case of the three assignments listed, she confirmed that the University could be assured that the findings were sound and the results are a credit to the University. The

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

The Internal Audit reports were received.

**AC.20.071 Indicative Internal Audit Plan for 2021/22**

*Received: Document AC/043/20*

The Head of Internal Audit presented the report which proposed an indicative Internal Audit Plan for 2021/22. She noted it had been formed on the basis of mandatory requirements, and in view of an assessment of areas where the University would benefit in having further assurances – with good coverage across a range of financial and non-financial activities.

Noting the plan had been developed in consultation with management, along with the Chair and Clerk to the Audit Committee, the Head of Internal Audit requested endorsement of the plan.

In discussion, it was confirmed that equality, diversity and inclusion would be a thread running throughout all audits as appropriate to the area being reviewed.

Further, it was noted that there is potential for the autumn Comprehensive Spending Review (CSR) to bring about significant changes for the University, which would require flexibility in the Plan, and the potential for an audit on the adequacy of the process in place to respond to those changes. The Head of Internal Audit confirmed that the Plan was formed on the basis of an agile approach, where RSM had given a written commitment to working with the University to respond to its changing assurance needs. Members agreed that the **implications of the CSR (or any other major policy) should be kept under review**, and the Internal Audit Plan updated accordingly as necessary if specified assurances are required.

**Action: Clerk**

In closing remarks about the plan, the Head of Internal Audit noted that there had recently been changes to the reporting requirements for demonstrating compliance with the UK Accommodation Code. She gave an assurance that RSM were alert to this change and would work with the University to ensure continued compliance.

The Indicative Audit Plan for 2021/22 was approved.

**AC.20.072 External Audit Plan for 2020/21 Accounts**

*Received: Document AC/044/20*

The External Audit representative (JB) presented the External Audit Strategy for the year ending 31 July 2021 noting that the plan was consistent with previous years and highlighting the following points:

- Materiality levels for the audit of the University and the Group
- The audit approach and timetable for delivery
- Identified risks and areas of focus
- Details of the key audit team members
- Analysis of fees
- Confirmation of auditor independence, with no conflicts to report

Members noted that the risks identified were:

- Valuation of pension liability (LGPS)
- Management override of control

Two areas of focus in addition to the risks identified are:

- Fraud risk from revenue recognition
- Going concern

In response to a question from a member, it was confirmed that no charges for tax advisory services had been incurred at this stage. The nature of the 'TBC' comment was a place holder, though it was likely that this would be zero at year end.

It was noted that the Office for Students had published their reporting deadlines the previous week. While the Regulator had again extended the deadline for submitting financial statements in response to disruption caused by the pandemic, the University planned to submit in December, as usual.

The External Audit strategy for the year ending 31 July 2021 was approved.

**AC.20.073 Counter Fraud and Corruption Policy and Response Plan**

*Received: Document AC/045/20*

The Deputy Vice-Chancellor presented the new policy noting that it outlined the University's responsibilities in terms of the deterrence, prevention, detection and investigation of fraud, bribery and corruption. It also includes a response plan and advice on the reporting of fraud as well as key sanctions and redress. This policy replaces both the Bribery and Anti-Corruption Policy and the Fraud and Serious Incident Response Plan.

Whilst the document of itself is new, it mainly consolidates the University's existing approach and delivers one single response plan. There are no fundamental changes to report.

In discussion members noted that the University has strong information technology and management controls, further strengthened by its participation in the JANET network, which deploys military-grade software for security purposes. It was noted however, given some universities had been victims of cyberattacks in recent months, the University is not immune to an attack and the University continued to be vigilant and responsive to the risk.

Regarding mechanisms to detect and audit bribery, it was noted that different indicators highlight potential risk and suggest when further action is required. The University is alert to this, and ensures that staff are supported to identify fraud or bribery, including raising awareness of softer indicators such as changes in staff behaviour. It was clarified that the University has strong processes to prevent and detect fraud and the risk of bribery, including the tracking of payments to postcodes and names on payment lists, with regular analysis of this. The University also participates in national and regional frameworks, including the North West Universities Purchasing Consortium, to ensure that tenders take place independently of the institution where appropriate. Where tender processes are operated by the University, decision makers are independent of procurement managers with appropriate segregation of duties.

It was agreed that the **response plan should make reference to the University's policy to insure against fraud** (and related activity) risks. The Deputy Vice-Chancellor also agreed to **address presentational points and minor corrections identified on the board portal**.

**Action: Deputy Vice-Chancellor /Director of Finance**

The Counter Fraud and Corruption Policy and Response Plan was approved, subject to the minor amendments agreed.

**AC.20.074 Fraud and Irregularity/Serious Incidents Statement**

The Deputy Vice-Chancellor confirmed that there was no information to report.

<b>SECTION B</b>
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**AC.20.075 RSM Progress Report**

*Received: Document AC/046/20*

The Head of Internal Audit introduced the report which provided an update on progress against the Internal Audit Plan and summarised RSM's work since the Committee's last meeting. She highlighted that the schedule of work was progressing well with no issues to report.

The RSM Progress Report was received.

**AC.20.076 HE Financial Statements Benchmarking**

*Received: Document AC/047/20*

The External Audit representative (JB) introduced the report noting that it compared statements across 77 UK HE clients of KPMG and was for the University's information.

He clarified that capital expenditure for Edge Hill should read £7.5m, which was in line with the average and noted that the report would be corrected to reflect this.

The HE Financial Statements Benchmarking report was received.

**AC.20.077 Compliance with the CUC Audit Code of Practice**

The Clerk introduced the report by referring to the detailed mapping work that had been undertaken to assess the Committee's compliance with the guidance. This indicated broad alignment with the expectations, and a minimal amount of work to do to achieve full compliance. Importantly all of the core aspects relating to the Committee's primary functions met the expectations.

However, on the Clerk's advice, the Committee agreed that final consideration of this work would not be appropriate until such time as the Governance Working Party's review of committee structures and business was concluded. Members agreed that it would be inappropriate to confirm compliance when the Board is about to consider proposals for major reform and requested the Clerk **prepare an updated report once the Board's reform was agreed.**

**Action: Clerk**

In terms of the options for reform under consideration, the Clerk provided a brief summary of the working party's recommendations.

The Clerk then referred to the Head of Internal Audit for any insights RSM might have given their experience across the sector. The Head of Internal Audit confirmed that the absolute priority, from a compliance perspective, was to ensure that the University continues to comply with its Instrument and Articles of Government and can meet the requirements of the OfS's Regulatory Framework, which includes adopting and following an appropriate governance code and following specified Terms and Conditions of Funding. Beyond this, it is for the University to determine its approach. In terms of RSM's observations about themes in contemporary governance, trends across the sector, particularly in the past 12 months, indicate an increased focus on people (that is staff) given they are normally an organisation's biggest asset. In any model where the University moves away from a committee focussed on people, great care should be taken to ensure that issues relating to people are appropriately addressed at Board level.

**AC.20.078 Any other business**

There was no other business.

<b>SECTION C</b>
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**AC.20.079 Date and time of next meeting**

The date of the next meeting is to be confirmed.

**AC.20.080 KPMG: HE Audit Committee Update – Spring 2021**

*Received: Document AC/048/20*

The Committee received the KPMG: HE Audit Committee Update – Spring 2021.

**AC.20.081 In-camera session**

Following the conclusion of scheduled business, independent members held a private meeting with the internal and external auditors which is minuted separately.