

## BOARD OF GOVERNORS

### AUDIT COMMITTEE

Minutes of the meeting held on 16 October 2023

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#### Present

Mike Tate	Committee Chair
Helen Smallbone	Clerk to the Board
Kashif Azeem	Internal Audit Representative (RSM)
James Boyle	External Audit Representative (KPMG)
Imogen Milner	External Audit Representative (KPMG)
Christine Donnelly	Independent member
Antony Lockley	Independent member
Maxine Melling	Independent member
Jo Nettleton	Independent member (on Microsoft Teams)

#### Officers in attendance

Vicky Bosward	Director of Human Resources	<i>for Agenda Item 07/AC/23A .01 only</i>
John Cater	Vice-Chancellor	
Carl Gibson	Director of Finance	
Steve Igoe	Deputy Vice-Chancellor	
Jane Sutton	Secretariat	

#### Apologies

Lisa Randall	Head of Internal Audit
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*Prior to the commencement of scheduled business, members met privately as a committee and then separately with the following groups:*

- Internal and external auditors*
- Officers of the Committee.*

*These meetings are recorded separately.*

**AC.23.002 Declarations of Interest**

There were no Declarations of Interest.

**AC.23.003 Chair's Announcements**

There were no announcements by the Chair.

**AC.23.004 Chair's Action**

There was no Chair's Action to report.

**AC.23.005 Minutes of the previous meeting**

*Received: Document AC/001/23*

The minutes of the meeting held on 19 June 2023 were agreed as an accurate record.

**AC.23.006 Action Log**

*Received: Document AC/002/23*

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

**AC.23.007 Matters arising not included elsewhere on the agenda**

*.01 Staff Recruitment and Retention*

*Received: Document AC/007/23*

*Reported:* The Director of Human Resources introduced the paper, which explored the hypothesis that staff recruitment difficulties are becoming less pronounced. She summarised the University's new Employee Experience Project (EEP), led by Human Resources, and noted this would be considered by the Board of Governors when the annual People Report is presented in March 2024.

*Discussed:* In discussion the following information was noted:

- Members welcomed the approaches outlined in the paper, particularly the preparation to address new legislation on flexible working, and the Support Staff Career Pathways initiative within the

EEP. Members stressed their support and continued encouragement for the University to champion strategies in support of equality, diversity and inclusion.

- The University's People Plan is due to be refreshed in Autumn 2024. This will be informed by workstreams within the EEP, including a review into staff recruitment, selection and retention.
- Members expressed their ongoing interest in the University's **workforce strategy and how this mitigates challenges that exist in the recruitment and retention of specialist staff** in the short, medium and long term. Members were **keen to understand how the University's offer compares with a broad range of competitors**. They were pleased to note that there would be an opportunity for further discussion when the People Report is presented to the Board in March (at which point **initial findings from the EEP** should be available and **included in the report**).
- Members noted that their keen interest in this area encompasses the Board's wider responsibilities for the framework for staff terms and conditions, and also recognises that staff are the University's greatest asset when it comes to enhancing the student experience. This includes Professional Support Services staff, who do not have the same progression pathway as academic staff and who are, in some cases, more difficult to retain.
- Responding to members' questions about the University's policy on home working and the extent to which it is equitable and inclusive, the Vice-Chancellor observed that the University is ahead of the sector in staff returning to the office. He noted that managers are empowered to be as flexible as possible, while ensuring that staff fulfil their contractual responsibilities and deliver an outstanding experience for students on campus.

**The Director of Human Resources agreed to address the points raised, in the People Report (March 2024).**

**Action: Director of Human Resources**

*Resolved:* The Committee received assurance from the discussion and the commitment for a wider debate to take place on the University's workforce strategy at the March 2024 Board of Governor's meeting.

SECTION A

**AC.23.008 Board Assurance Framework Implementation: Internal Audit Report**

*Reported:* At the pre-meeting it was determined that the report would be withdrawn to enable RSM to undertake further work specified by the Audit Committee.

*Resolved:* The item will be considered at a **special meeting of the Audit Committee, to be convened on or before 20 November.**

**Action: Clerk**

**AC.23.009 Board Assurance Framework and Key Institutional Risks**

*Received:* Document AC/004/23

*Reported:* The DVC introduced the Board Assurance Framework (BAF) and Key Institutional Risks. He highlighted the addition of a risk concerning the implementation of a new student records system (SRS), and drew members' attention to increased risk associated with:

- Student satisfaction (Risk 1) following the National Student Survey (NSS) 2023 outcomes for "Teaching on my course" and "Academic support".
- Student recruitment (Risk 7) owing to reduced demand across the sector.

The DVC underscored that during the year key risks are considered across institutional fora and are reported as appropriate to the relevant stage in the academic year. While the BAF is an important tool in enabling governors to be assured, it is also part of an [eco-system of reports](#) designed to provide governors with ongoing insight to the University's core activities. This includes items detailing progress against strategic aims, and risks that these aims will not be met.

*Discussion:* In discussion, the following points were noted:

*.01 Student Records System*

- Members recognised that implementing the SRS is a substantial project for the University. It will remain red rated on the BAF until implementation is in train. This is because although safeguards will minimise the likelihood of any risk materialising, the impact

would be significant if risks did materialise. The overall risk rating therefore reflects the outcome of multiplying the likelihood (which is low/medium) and impact (which is high). It was noted that it would be helpful for **future iterations of the BAF to include separate ratings for impact and likelihood against each risk.**

**Action: Director of Strategic Planning (to complete by the end of this academic session)**

- Members were assured that the University's current SRS continues to support operational and regulatory activity. While this does encompass labour intensive workarounds, the University remains ahead of much of the sector and has met the Office for Students' initial deadlines for Data Futures returns.
- Any project of this magnitude carries a number of significant risks, which need to be managed and escalated as appropriate. It was noted that SRS implementation updates for the Audit Committee could be reported using the BAF, although separate reports may be required depending on the project status. Given the SRS project is in its infancy, a decision on reporting mechanisms would not be determined at this stage. **This will be returned to at February's meeting, when there will be more information on how the Project initiation is progressing** (subject to the Board's approval of the business case for change).

#### *.02 Other risks*

- There has been significant focus on improving the student experience in Nursing and Allied Health Professions. Nevertheless, work to enhance the student experience is ongoing across all areas of the University, with Associate Deans reporting directly to the Directorate on a monthly basis.
- Developing the University's brand and reputation is a top priority to mitigate risks around student recruitment. This is likely to form a core part of discussion at the Board's away day in January.
- It would be timely for the Committee to receive an update on the University's approach to Cybersecurity.

**Action: Clerk (to arrange for this academic year)**

*Resolved:* The Committee received assurance from the Board Assurance Framework and Key Institutional Risks report.

**AC.23.010 Draft 2023 Financial Statements**

*Received:* Document AC/005/23

*Reported:* The DVC introduced the Financial Statements and confirmed the accuracy of the detailed commentary in the accompanying report. He highlighted that, while the statements were technically in draft form, the content was complete and not expected to change before presentation to the Board of Governors for approval in November.

A summary of the key highlights report was provided. Particular attention was drawn to the growth in investment income and tuition fees, staffing costs and the pension asset figure of £40 million, which is a function of discount rate movements.

*Discussed:* Members noted a clean audit, and the significant reassurance that was provided by the External Audit Representative's thorough work.

In response to questions:

- Noting the complexity of pension liabilities, which can distort high level analysis of the accounts, the Committee noted the Strategic Review component of the report helpfully explained the operational position.
- During the course of the Audit, some discussion occurred about the benefit of capping the pension asset. For the purposes of consistency and transparency, the same calculation was applied as previous years (when deficits had been reported).
- The University continues to be guided by the advice and assumptions made by qualified actuaries from Mercer.
- The University operates with a standard approach to preparing the Financial Statements, which is consistent with the majority of the sector and is in accordance with accounting standards.

- Going Concern assumptions have been stress tested.
- The Director of Finance confirmed that the Committee would be advised if there were any updates to report before presentation to the Board of Governors.

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. Members were also comfortable with the accounting policies applied and were content that all significant or complex transactions had been considered.

*Resolved:* The Committee received a high level of assurance from the Draft 2023 Financial Statements and **recommended them to the Board for approval.**

#### **AC.23.011 External Auditor's Draft Letter of Representation**

*Received:* Document AC/006/23

*Reported:* The External Audit Representative (JB) introduced the draft Letter of Representation. He noted that it followed a specified format and provided confirmation that any estimates or assumptions made in the statements were reasonable. He also confirmed that unrestricted access had been provided to all information and persons within the organisation.

*Discussed:* In response to a question, the External Audit Representative confirmed that no engagement-specific risk had been identified during the audit.

Members were pleased to note the assurance that KPMG believe the Financial Statements have been properly prepared, and that they present a fair and accurate view.

*Resolved:* The Committee was assured and **recommended the draft Letter of Representation to the Board.**

**AC.23.012 External Auditor's Audit Highlights Memorandum and Management Letter**

*Received:* Document AC/007/23

*Reported:* The External Audit Representative (IM) introduced the report, outlining that audit work was substantially complete and highlighting the positive nature of ongoing work with management to achieve this position. She drew the Committee's attention to the statement regarding the testing of the LPGS estimated figure used in the Mercer report but noted that no recommendations were raised in relation to this.

*Discussed:* Members noted a clean audit, and the significant assurance that was provided by the External Audit Representative's evidently thorough work, including significant interrogation of data systems.

*Resolved:* The Committee was significantly assured by, and content to receive, the External Audit Representative's Audit Highlights Memorandum and Management Letter.

**AC.23.013 Going Concern Statement**

*Received:* Document AC/008/23

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

*Resolved:* In view of the paper, and wider information, the Committee was assured and endorsed the Going Concern Statement.

**AC.23.014 Serious Incidents and Whistleblowing Annual Report**

*Received:* Document AC/009/23

*Reported:* The DVC confirmed that there were no reportable incidents for the period under review.

*Resolved:* The Committee received the Serious Incidents and Whistleblowing Annual Report.



**AC.23.015 Internal Audit Annual Report**

*Received:* Document AC/010/23

*Reported:* The Internal Audit Representative introduced the draft Internal Audit Annual Report. He noted that the report was substantially complete, and would be finalised following the completion of the assignment on the BAF Implementation. The draft report indicated that for 2022/23, 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 that the report was in draft, pending the outcome of the internal audit evaluating the BAF implementation. Nevertheless, members noted the overall report was unlikely to change and were pleased with the substantial assurance this provided.

*Resolved:* Members were assured by the draft Internal Audit Annual Report's findings.

**AC.23.016 Internal Audit Reports**

*Received:* Document AC/011/23

*Reported:* 01. *Income Management and Finance System Implementation*

The Internal Audit Representative presented the assignment report, which was designed to test whether the University's control framework for managing income continues to operate as expected since the introduction of the updated eFinancials (eFin) finance system. The audit resulted in **Substantial Assurance** with no recommendations for management action.

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

*Reported:* 02. *Data Quality: Data Futures*

The Internal Audit Representative introduced the assignment report, which evaluated the University's control framework for ensuring the interim May 2023 Data Futures Return submission met data quality

assurance requirements. Additionally, it considered the processes that the University applied for the preparation of the 18 August 2023 Data Futures Return submission. The audit found **Substantial Assurance** with no recommendations for management action.

*Discussed:* Members noted that since the completion of this assignment, it had emerged that the Office for Students' Data Futures deadlines were extended on several occasions for other universities. Members expressed the Committee's thanks to management for their work to ensure that complex external returns were delivered on time and to the required quality.

*Reported:* *03. Data Quality: Apprenticeships Quality Data Return*

The Internal Audit Representative reported that the assignment considered the processes for post-May 2017 apprenticeships based on selected aspects of the Education and Skills Funding Agency's (ESFA's) funding audit approach. The audit identified exceptions where the University has not complied with the Apprenticeship Funding and Performance Management Rules 2022 to 2023, which may result in funding implications. The report presented four medium priority actions for management, all of which the University is due to implement by the end of October 2023. Full details are included in the accompanying report.

The Internal Audit Representative added that since the report was completed, the Department for Education has issued further information about apprenticeship contracts. This would require one element of the audit to be revisited, with an updated report presented to the Committee.

*Discussed:* Members tested and received assurance that management is working to address the actions identified in the report.

Members noted an updated report would be presented to the Committee in February 2024.

*Reported:* *04. Follow Up*

The Internal Audit Representative informed members that the University has demonstrated good progress in implementing agreed management actions. He confirmed that 10 of the 16 management actions had been fully implemented and/or superseded. Of the

remaining six actions, five are low priority and one is medium priority. Full details are included in the accompanying report.

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

In discussion, the Committee observed the University's ongoing growth in international student numbers. The importance of successfully incorporating equality, diversity and inclusion, and unconscious bias training into staff training plans is therefore increasingly important.

*Resolved:* The Committee was assured by the findings of the assignments and received the Internal Audit Reports.

### **AC.23.017 Audit Committee Effectiveness**

*Received:* Document AC/00a/23

*Reported:* The Clerk introduced the report produced by Liz Mohr Leadership, which was prepared following an overall effectiveness review for the Board. The Clerk highlighted that the review presents many positive findings, particularly on regulatory compliance which is important in providing an external level of assurance. Eight areas for the Committee to consider were identified, which are detailed in the report.

*Discussed:* The Committee agreed with the accuracy of the report and to consider the recommendations at its next meeting when it would have the benefit from input from the wider board following the strategy session in January.

*Resolved:* The Committee received the Audit Committee Effectiveness report.

To include **Audit Committee Effectiveness on February's agenda.**

**Action: Clerk.**

SECTION B

**AC.23.018 Draft Audit Committee Annual Report to the Board**

*Received:* Document AC/012/23

*Reported:* The Clerk introduced the draft report noting that it followed a set format and had been prepared in light of the papers discussed during the meeting. She highlighted that the report aims 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

*Discussed:* Members noted that it had been a routine year for the Committee's business, with no unexpected items. Positive reports had been received from External Audit Representative which, alongside the Committee's view, supported the draft narrative prepared by the Clerk/Chair.

Members noted that the Internal Audit Annual Report was not yet finalised. Members agreed that, providing no significant issues were identified by the Internal Audit Representative's ongoing review into the Board Assurance Framework Implementation, the Board should be advised that **it should take significant assurance from the report content.**

A minor correction was agreed to ensure clarity about changes to Committee membership during the year.

**Action: Clerk**

*Resolved:*

- a. That the Committee had no concerns to highlight to the Board.
- b. Following amendment, to submit the Audit Committee Annual Report to the Board of Governors.

**AC.23.019 Value for Money Assurance Statement**

*Received:* Document AC/013/23

*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.

Looking forward to 2023/24, specific areas identified for consideration by the group include:

- Purchase Invoice Manager
- Cloud Invoicing
- Computer Assisted FM System
- In sourcing of legal advice
- Coaching Culture and Leadership
- Risk Management System
- Energy Procurement and Management
- Training Development Manager (system)
- CareerSet (an AI based online platform)
- Tenders & Evaluation

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

*Resolved:* The Committee gained assurance from the Value for Money Assurance Statement.

**AC.23.020 Audit Committee Schedule of Business 2023/24**

*Received:* Document AC/014/23

*Reported:* The Clerk introduced the item noting that the schedule for 2023/24 is indicative and non-binding.

*Discussed:* In view of earlier discussion, it was agreed that cybersecurity would be added to June's meeting.

*Resolved:* Subject to the addition of an item on cybersecurity, the Committee confirmed the business schedule proposed for 2023/24.

**AC.23.021 Internal Audit Progress Report**

*Received:* Document AC/015/23

*Reported:* The Internal Audit Representative introduced the report noting that audit work for 2022/23 was about to be completed and RSM was now focused on assignments for 2023/24.

*Discussed:* In respect of the deep dive work commissioned in 2022/23, the Committee agreed, with endorsement from the DVC, that the deep dives would be considered as additional to the standard schedule and resourced as such.

Members discussed the spread of internal audit assignments across 2023/24 and when the Committee would consider findings. They noted the possible **merit in establishing a fourth Audit Committee meeting (potentially held via Microsoft Teams)**. It was agreed that this would be explored further when the Committee discusses the outcomes from the effectiveness review.

*Resolved:* To receive the Internal Audit Progress Report.

**AC.23.022 Any other business**

None.

<b>SECTION C</b>
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**AC.23.023 Date and time of next meeting**

The Clerk will contact members to timetable a Microsoft Teams meeting for November 2023.

The next full meeting is scheduled for 20 February 2024.

The following items were received for information:

**AC.23.024 Schedule for Data Returns 2023/24 (Document AC/016/23).**