

**Approved Minutes**

**Present**

Emma van der Lugt	Independent Governor, Chair of Committee	EvdL
Stephen Criddle OBE	Independent Governor, Deputy Chair of Committee	SC
Vicky Hatton	Independent Governor	VH

**In attendance**

Prof Rob Warner	Vice-Chancellor	RW
Simon Arthurs	Chief Operating Officer & Finance Director	SA
Stephen Plant	University Secretary & Registrar	SP
Ben Connor	Director of Audit , Internal Auditors, PwC (to end 2021-22)	BC
Clarence Mpofo	Director of Audit, Internal Auditors, TIAA	CM
Lesley Heasman	Senior Audit Manager, Internal Auditors, TIAA	LH
Nathan Coughlin	Partner, External Auditors, Bishop Fleming	NC
Jessamie Thomas	Governance Officer (note taker)	JT

**1. Reserved Business (1) (No Staff in attendance)**

*See Reserved Business (1) minutes*

**2. Reserved Business (1) (No Staff in attendance)**

*See Reserved Business (1) minutes*

**3. Reserved Business (1) (No Staff in attendance)**

*See Reserved Business (1) minutes*

**MAIN MEETING – all in attendance**

**4. Welcome, Apologies & Declaration of Conflicts of Interests**

- 4.1 Opening the main part of the meeting, Committee Chair, Emma van der Lugt, welcomed colleagues.
- 4.2 No apologies were received; all members were in attendance.
- 4.3 No conflicts of interest were declared. The full register was included in Part C.
- 4.4 EvdL invited colleagues to 'unstar' items in Part B. None were identified.

**5. Risk Assurance & Review**

- 5.1 The report was received; the priority Risk Register was enclosed. EvdL invited Chief Operating Officer & Finance Director, Simon Arthurs, to present an overview.
- 5.2 SA drew the Committee's attention to the analysis contained within the report.
- 5.3 Notwithstanding excellent NSS results and also the strong levels of registration at the upcoming Open Day, it was noted that the rate at which the University could grow would depend on the provision of new residential accommodation. Vice-Chancellor, Prof Rob Warner, urged Committee members to engage with the BoG in discussing this as a priority, in the context of the Campus Development Plan which the Board had approved in 2020.

**Approved Minutes**

- 5.4 The Committee discussed inflationary pressures, increases in supply chain costs, rising interest rates and cost of living turbulence. Energy costs were an emerging risk, with the tariff expiring in September 2023. Following the timely investment in renewable energy on campus, these systems would need to be optimised and maximised.
- 5.5 RW noted that the continuation in strong NSS results and league table elevation would support recruitment, as would the investment in marketing. The University was mid-tariff in terms of the expected grades. Targets were being hit for the January intake of Nursing Associate. Significant preparations were underway for the launch of programmes in September 2023.
- 5.6 In response to a question regarding anticipated levels of student recruitment, SA and RW noted that application figures would be released in January, but it was not until June 2023 that reliable data would be available for the next academic year's intake.
- 5.7 In response to a question, the retainer arrangement with the legal providers were discussed and levels of provision were deemed by management to be appropriate and affordable.
- 5.9 Noting the sector-wide cyber security threat, TIAA confirmed the support which they would offer to address this risk.
- 5.10 The Committee was satisfied with the position and thanked SA for his report.

**6. Internal Audit**

- 6.1 EvdL noted that the Annual Report of the Internal Auditors 2021-22 was included as an appendix to the Annual Audit Committee report, which would be discussed at Item 8.

**a) Finance Review**

- 6.2 The report was received. EvdL invited Director of Internal Audit, Ben Connor, to present an overview of the review, which had resulted in one high risk and three medium risk findings. SA confirmed that the report had been commissioned in the knowledge that the findings would be challenging, but PwC's sector knowledge with regard to addressing these would prove beneficial. Relative to the sector, Marjon's teams were small and therefore systems needed to be optimised.
- 6.3 The findings were as follows: lack of defined approach to chasing tuition fee debts (high risk); single person dependency (medium risk); late receipting of income (medium risk); student fee data quality (medium risk). The report laid out the potential implications of these and recommendations regarding their mitigation.
- 6.4 The Committee discussed the appropriate actions and timescales needed to address the recommendations. In particular, the University's approach to debt collection was considered, and the Committee endorsed the support offered to students in this regard. The Committee suggested that analysis of Marjon's position compared with comparator HEIs would be helpful, as would the impact on cashflow. **ACTION: SA**
- 6.5 The Committee was satisfied with the position.
- 6.6 BC was thanked for the review report, recommendations and action plan.

**7. Internal Audit - Outstanding Audit Recommendations**

- 7.1 The report was received. EvdL invited SA to present an overview.

**Approved Minutes**

- 7.2 SA noted that staff were receiving training on how to use the TIAA portal, to standardise the approach to logging audit recommendations and actions, so as to improve efficiency and accountability.
- 7.3 SA presented the consolidated log of audit findings, recommendations and management responses. He provided details of the key outstanding high items and how these would be addressed.
- 7.4 The Committee was satisfied with the position and **AGREED** to close the actions as proposed within the report. SA was thanked for his update.

**8. Audit Committee Annual Report**

- 8.1 The report was received.
- 8.2 The report included as an Appendix the Internal Audit Annual Summary 2021/22. EvdL invited BC to comment on this. BC noted that the report contained a summary of the year's programme and recommendations; the findings of each review had been discussed with the Committee. BC would confirm with JT the total number of audit days to be included in the report. BC had no further matters to raise and invited questions from the Committee. The Committee was satisfied with the position. BC was thanked for his report. BC and his current and former colleagues at PwC were thanked for the service they had provided to the University over a number of years.
- 8.3 The Committee **APPROVED** the Audit Committee Annual Report for onward recommendation to the Board of Governors (BoG), as part of the annual approval of accounts.
- 8.4 EvdL thanked Governance Officer, Jessamie Thomas, for her work preparing the report.

**9. External Auditors' Completion Report and Letter of Representation**

- 9.1 The report was received. EvdL invited External Audit Partner, Nathan Coughlin, to highlight the main points in the 'Key Issues for Discussion Document'.
- 9.2 NC provided an overview of the audit conclusions and key findings. NC thanked SA and his team for their open and effective engagement with the external audit process, noting further improvement compared with the previous year's cycle.
- 9.3 NC confirmed that the audit process was approaching completion, subject to the resolution of certain outstanding queries. Subject to the finalisation of these points, an unmodified audit report was expected and a clean audit opinion anticipated.
- 9.4 NC's report detailed key risks facing the University. The Committee discussed each of these with NC and how they were being mitigated.
- 9.5 NC provided detail on other audit and financial reporting matters.
- 9.6 NC presented unadjusted items identified during the audit work, to the Committee's satisfaction.
- 9.7 NC presented analysis of the journals posted and confirmed that data was in line with expectations.
- 9.8 NC outlined observations arising from the audit, none of which were considered significant. NC highlighted the accompanying recommendations and management comments; issues

**Approved Minutes**

which had been resolved were also included. The Committee discussed these and was satisfied with the position.

- 9.9 The Letter of Representation was discussed. NC reminded the Committee that the letter was provided in order to express an opinion as to whether the financial statements gave a true and fair view of the results and financial position of the Board and to confirm its ability to continue as a Going Concern. The Committee **APPROVED** the Letter of Representation for onward recommendation to BoG.
- 9.10 NC was thanked for his comprehensive report and for his detailed discussion of this with the Committee. The report would be discussed with BoG.

**10. Draft Audited Financial Statements**

- 10.1 The report was received. EvdL invited SA to present a summary to the Committee.
- 10.2 SA shared a set of slides, providing commentary and analysis of the 2021/22 context and performance. SA reminded the Committee of the transition from Management Accounts to Financial Accounts and how the approach taken by the University to meet annual costs with annual income was sector-consistent. SA confirmed that the cash position would satisfy the Bank Covenants.
- 10.3 SA went through the Income and Expenditure position in detail, responding to questions to the Committee's satisfaction.
- 10.4 Potential staffing costs and the likelihood of industrial action following a national vote were discussed. RW restated the leadership team's priority, of not disadvantaging students. He noted that the government controlled universities' income and there appeared no appetite to address the funding crisis; tuition fees had been frozen since 2012. RW provided further information around pay and the regional employment position. RW summarised the difficulties of finalising a budget in this context, noting also the areas where a loss of income or increased cost resulted in more pressure on the budget.
- 10.4 SA reminded the Committee that the investment portfolio had been restructured, so as to divest from fossil fuels. The investment fund showed a slight loss compared with the previous year.
- 10.5 SA reminded the Committee that a new KPI had been introduced in 2019/20, to show Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA); this year showed a position of £1.786m, compared to £3.404m the previous year.
- 10.6 SA confirmed the treatment of the capital grants in the financial statements. SA noted the repair or replacement work which some of the Salix-funded equipment had necessitated.
- 10.7 In response to a question, SA confirmed that the volatility of the reported pension position year on year was due to factors outside the University's control. LGPS evaluated the scheme every three years. The Committee was reminded that one employee was a member of the USS pension scheme, and the risk of crystallisation would need to be managed accordingly. SA confirmed that BoG would be kept updated regarding pension discussions
- 10.8 The Committee **APPROVED** the draft Audited Financial Statements, for onward recommendation to BoG. SA confirmed that the Audited Financial Statements would

**Approved Minutes**

subsequently be published on the University website and submitted to Companies House and the Office for Students (OfS) as part of the Annual Financial Return (AFR).

10.9 SA was thanked for his presentation.

**11. Significant Losses Report**

11.1 EvdL invited SA to present an update. SA confirmed that there were no significant losses to report. The Committee was satisfied with the position.

**12. Reports from the National Audit Office, the funding bodies and other organisations**

12.1 EvdL invited SA and SP to share any reports or updates with the Committee. SP noted that the OfS held the responsibility of appointing the data and quality body. The latter had been taken in-house. Rather than reporting to HESA on an annual basis, data reporting would be done via JISC.

12.2 SP noted that the regulators OIA, OfS, and UCAS had put up their fees, yet the University's tuition fee income had remained frozen since 2012.

12.3 SA confirmed that the University would be alert to the increased risk of fraud, which regulators highlighted during an economic downturn.

12.4 SA signposted colleagues to an online resource: the National Audit Office Insight Reports.

12.5 The Committee thanked SP and SA for their updates.

**Close**

In closing the main part of the meeting, EvdL invited colleagues to reflect upon whether discussions impacted on the current Risk Register or if changes were proposed. None were identified.

EvdL thanked Internal and External Auditors for their work and contributions to the meeting.

*BC, CM, LH and NC left the meeting.*

**13. Reserved Business (2) (No Auditors in attendance)**

*See Reserved Business (2) minutes*

**14. Reserved Business (2) (No Auditors in attendance)**

*See Reserved Business (2) minutes*

**Part B**

The following reports were received and approved:

15. Minutes of Previous Meeting (29 June 2022, M3) were received as an accurate record and **APPROVED** with no amendments.

16. Internal Audit Plan 2022-23 was **APPROVED**.

17. Whistleblowing:

(a) Annual Report on Whistleblowing was received for information.

(b) Whistleblowing Policy was **APPROVED**.

**Approved Minutes**

The following reports were received for information with no queries:

- 18. Matters Arising from Previous Meeting (29 June 2022, M3)
- 19. Annual Report on Data Assurance

**Part C**

The following report was received for information with no queries:

- C- Register of Interests