

Approved Minutes

Present

Mrs Emma van der Lugt	Independent Governor, Chair of Committee	EvdL
Mr John Searson	Independent Governor, Deputy Chair of Committee	JS
Mr Stephen Criddle, OBE	Independent Governor	SC
Mrs Victoria Holbrook	Independent Governor	VH

In attendance

Prof Rob Warner	Vice-Chancellor	RW
Mr Simon Arthurs	Director of Finance & IT	SA
Mr Nathan Coughlin	Bishop Fleming, External Auditor	NC
Mr Charlie Martin	PricewaterhouseCoopers, Internal Auditor	CM
Mr Stephen Plant	University Secretary & Registrar	SP
Mrs Jessamie Thomas	Governance Officer (note taker)	JT

1. Reserved Business (1) (no staff in attendance)

MAIN MEETING – all in attendance

2. Welcome, Apologies & Declaration of Conflicts of Interests

- 2.1 Opening the main part of the meeting, the Chair, Emma van der Lugt, welcomed colleagues.
- 2.2 Apologies were received from Rev'd Prof Gina Radford.
- 2.3 No conflicts of interest were declared. The full register was included in Part B.

3. To review and approve the Audit Committee Annual Report for submission to Board of Governors

- 3.1 The report was received. EvdL reminded colleagues that it had been scrutinised by this committee at its previous meeting. She invited Governance Officer, Jessamie Thomas, to summarise updates: the External Auditors' opinion had been incorporated; this meeting's attendance details would be added.
- 3.2 The Committee **APPROVED** the Audit Committee Annual Report for onward recommendation to the Board at its Extraordinary Meeting, 16 December 2020, as part of the annual approval of accounts.
- 3.3 EvdL thanked JT and University staff for their work preparing this document.

4. To receive and discuss the External Auditors' Completion Report and Management Letter for the year end

- 4.1 The report was received. EvdL invited External Audit Partner, Nathan Coughlin, to summarise.
- 4.2 NC provided an overview of the current position, as presented in the Key Issues for Discussion Document. He noted the challenges faced by the Higher Education sector

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nationally this year. NC thanked Director of Finance & IT, Simon Arthurs, and team for their open and effective engagement with the external audit process.

- 4.3 NC confirmed that audit field work had been completed. The completion process would conclude shortly, to be followed by the financial accounts and management letter sign-off by the Board.
- 4.4 NC drew the Committee's attention to audit risks and response (section 4). NC explained the risk presumptions, the work done by his team to assess these and the conclusions drawn. All work had been satisfactorily completed. NC noted that there was a presumption under auditing standards that management override of controls and revenue recognition be considered significant risk areas. No concerns were raised by NC.
- 4.5 Heightened risk was noted in three areas, dBs provision, pension assumptions and going concern in relation to the Covid-19 situation. NC went through each of these areas in turn and confirmed that no material errors had been identified and risks had been addressed.
- 4.6 The ongoing monitoring of the dBs situation was discussed and SA confirmed that professional advice had been sought by Marjon in this regard. The University's alignment with OfS student protection requirements was confirmed, were this to be necessary.
- 4.7 With regard to heightened risk around pension assumptions, NC summarized reasons behind the net liability increase, flagging the impact of the reduction of the discount rate used to calculate the present value of future liabilities.
- 4.8 Loan covenant compliance was discussed and the committee was satisfied with the position.
- 4.9 The impact of Covid-19 on financial forecasts was discussed. The Committee noted NC's confirmation that the going concern opinion would not be modified. He commended SA, RW and SMT on the positive outturn.
- 4.10 Bad debt provision was discussed, including ways to further support students in the debt management process. The committee was satisfied with the position.
- 4.11 It was noted that the requirements regarding Access and Participation Plan sign off had been met.
- 4.12 NC confirmed that journal analysis had resulted in no material issues being noted.
- 4.13 The Benford's Law Review analysis was noted.
- 4.14 The Committee was satisfied with management response to the suspense code reconciliation recommendations made by NC regarding the Sports Centre.
- 4.15 NC confirmed that the External Auditors accepted that none of the adjustments proposed would be material to the financial statements; the net impact of audit adjustments was not significant.
- 4.16 NC confirmed that with regard to Management Letter Points and Internal Control Systems (section 8) none were considered to have a significant impact on the University's system of internal control.
- 4.17 The committee was satisfied with the overall position. The Committee thanked NC and team for their constructive approach during the External Audit process. SA confirmed that the resolution of all issues raised would be tracked via the Audit log.
- 4.18 The Letter of Representation was discussed. It was noted 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

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Going Concern. The Committee was satisfied that this be recommended to the Board for approval.

5. To receive and discuss the draft Audited Financial Statements for recommendation to the Board

- 5.1 The report was received. EvdL invited SA to present a summary to the committee.
- 5.2 SA shared a set of slides, providing a detailed explanation of the 2019/20 context and performance. He confirmed that the Finance & Resources Committee had met previously and had scrutinised the financial statements. SA reminded the Committee that a break even budget had been set, but the onset of Covid-19 had impacted this considerably. The Committee commended the measures implemented to mitigate the pandemic-induced losses which SA explained in detail.
- 5.3 SA summarised the transition from Management Accounts to Financial Accounts and how the approach taken was consistent with the sector. SA noted that this was a period of transformation to protect growth, transitioning to the approach of annual costs being met by annual income.
- 5.4 SA went through the Income and Expenditure position in detail, flagging lower income due to Covid-19, increased staff costs including FRS102 pension adjustments, investment loss (mitigated by restructuring) and pension loss. Expenditure had been contained.
- 5.5 The significant increase in pension liability on the Balance Sheet was discussed and the rationale for this. The Committee was satisfied that, while this would be monitored, it was not a cause for concern.
- 5.6 SA noted the cash position, which was an important indicator of liquidity for Office for Students (OfS). The University's focus on financial sustainability and resilience would address OfS Condition of Registration D and RW noted Marjon's robust liquidity position.
- 5.7 Regarding non-current assets of the Balance Sheet, SA noted that while the value of investments had decreased there had been an equivalent increase therefore in cash and cash equivalents.
- 5.8 SA explained the accounting of the loan principal and how this was being managed.
- 5.9 The establishment of a new KPI, to show Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was proposed, so as to focus on operational performance. RW invited comments on this. It was discussed and endorsed as a sensible metric to be incorporated into KPIs.
- 5.10 SA responded to queries regarding the movement of staff costs to the Committee's satisfaction.
- 5.11 The Committee was pleased to see increasing levels of students represented in payroll. Disaggregation was suggested, to gauge the level of opportunity available to students. **ACTION: SA.** RW confirmed it was the University's policy to increase student employment opportunities, mindful also of gender pay gap and graduate pay issues.
- 5.12 In response to a request, SA confirmed he would introduce a high level rolling cash flow analysis into the monitoring. **ACTION: SA**
- 5.13 In response to a request, SA confirmed he would clarify the wording in the financial statements regarding covenants. **ACTION: SA**

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- 5.14 The Committee **APPROVED** the draft Audited Financial Statements, subject to the above being finalised, for onward recommendation to the Board, at its Extraordinary Meeting, 16 December 2020. SA noted that an annual report would subsequently be published, based on the financial statements.
- 5.15 SA was thanked for his presentation. SA, RW and SMT were commended for having managed the position effectively through an extremely challenging year.

Reserved Business (2) – see Reserved Business minutes.

6. To receive the Marjon Student Union Trustees' Report and Financial Statements

EvdL thanked Internal and External Auditors for their attendance and contributions.
NC and CM left the meeting.

Reserved Business (3) – No auditors in attendance.

7. To consider any further matters of Reserved Business
EvdL asked whether committee members or management wished to raise any further matters. None were raised.

Close

In closing the meeting, EvdL invited colleagues to reflect upon whether discussions impacted on the current risk register or if changes were proposed. None were highlighted.

Part B – for information only

The following was received for information with no queries:

8. Register of Interests