

Audit and Quality Committee

DATE / TIME / VENUE	1000, Wednesday 13 November 2019, Board Room, St Andrew's Court
PRESENT	Frances Morris-Jones, External Governor (Chair) Anne Lambert, External Governor (up until Min 30) Paul Myers, External Governor
IN ATTENDANCE	Dr Liz Bartle, Deputy Director of Finance (Financial Systems) (Mins 20 to 23) Chris Chang, Pro Vice-Chancellor (Min 21.4) Ian Dudley, External Auditor, Deloitte LLP (excluding Mins 22.2 to 22.6) Rebecca Di Pancrazio, Head of Student and Academic Administration (Min 26) Andy Hornby, External Auditor, Deloitte LLP (excluding Mins 22.2 to 22.6) Dr Rinat Khusainov, Staff Representative (up until Min 30) Tim Lee-Lewis, Student Governor Paul Thomas, External Auditor, Deloitte LLP (excluding Mins 22.2 to 22.6) Lorna Raynes, Internal Auditor, RSM LLP (excluding Mins 22.2 to 22.6) Emma Woollard, Executive Director of Finance
SECRETARIAT	Adrian Parry, Executive Director of Corporate Governance Annette Bourke, Head of Governance Services

Private Session

The External Governors, the staff representative, the external and internal auditors held a private session before the start of the main meeting at 0945 hours.

To accommodate the availability of some members, some agenda items were taken out of order.

20 Welcome, Quoracy and Apologies

- 20.1 Committee welcomed Liz Bartle, Deputy Director of Finance, who would assist Committee in the discussion of the financial statements and Ian Dudley, External Auditor, Deloitte LLP
- 20.2 Apologies were received from Vice-Chancellor: Professor Graham Galbraith; and Louise Tweedie: Internal Auditor RSM LLP.
- 20.3 The Executive Director of Corporate Governance confirmed that the meeting was quorate and could proceed to business.

21 Minutes

The minutes of the meeting held on 24 September 2019 were confirmed as a correct record.

22 Matters Actioned Since the Last Meeting or Under Continuing Consideration and Matters Arising

Matters Actioned

- 22.1 Action was reported on five matters of which three were for note and two would be received later in the agenda. Committee noted that a briefing note on the Office for Students requirements of audit committees had been circulated to members. It was also noted that the Committee of University Chairs would be producing an Illustrated Practice Note on audit.

Matters Arising

- 22.2 - 22.5: Audit Tender - **confidential minute**
22.6 There were no other matters arising from the minutes.

23 University Financial Statements for the Year Ended 31 July 2019

Committee received the financial statements under a covering report from Emma Woollard, Executive Director of Finance and the Auditors Report prepared by the external auditors. The financial statements had been reviewed by the Infrastructure and Finance Committee (IFC) at its meeting on 13 November 2019. The statements were consolidated statements of the University and had been audited by the external auditors.

- 23.1 The Chair of IFC had provided feedback to the Chair of Audit and Quality Committee on the discussion of the financial statements at the IFC meeting on 12 November 2019. IFC had discussed in detail the unconsolidated statements at its meeting on 2 October 2019 and fully consolidated statements on 12 November 2019. In the discussion at IFC, there had been two main matters discussed: the larger than anticipated surplus and the accrual for pensions. The statements had been produced under current accounting standards and there were strong systems, processes and controls in place.
- 23.2 Emma Woollard, Executive Director of Finance introduced the Financial Review for the year ended 31 July 2019 which included the financial statements. The Committee welcomed the receipt of the full Financial Review for the first time. The financial statements demonstrated strong financial health. The budget for surplus was £5.6m for 2018/19 and the outturn was £14.8m. It was noted that the Voluntary Severance scheme had added some expected volatility into the accounts and recruitment to new posts had taken longer than anticipated. The University had also recruited students above its target. The budget for the surplus in 2019/20 was reduced. However, in the September management accounts there had been some slippage against budget.
- 23.3 Liz Bartle, Deputy Director of Finance (Financial Systems), presented the financial statements which showed a surplus of £14.8 million. Committee noted there were some final changes that were still under consideration with the auditors and there were likely to be some further changes to the disclosure notes, in particular the fair

value income bond. A separate fair value exercise on the placement was provided by Mazaars LLP which had been shared and commented upon by Deloitte LLP.

- 23.4 The Committee noted the higher cash balances in the accounts. This was due to the VSS and delays in filling vacant posts and slippage to the masterplan timescales. There would be an update on the Estate Masterplan's progress at the April 2020 Board meeting. The University was considering options to bring forward other expenditure to an earlier date. It was also noted that Investment Income had increased (by £2.7 million) in total compared to 2017/18, due to higher cash balances and improved investment returns. Expenditure had increased by 3.1% over the year but staff costs excluding the Local Government Pension Scheme adjustment had reduced. Depreciation had also decreased, due to 2017/18 including the accelerated charge for Langstone Campus. This was the first full year of the placement bond in the accounts.
- 23.5 The University has two main pension schemes. The Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS). The LGPS pension staff cost adjustment had increased by £6.6 million. This included new adjustments in relation to the McCloud/Sergeant judgement and accounting for guaranteed minimum pension.
- 23.6 The Committee noted that the draft consolidated accounts included all subsidiary companies. The individual accounts were received by each subsidiary's board. The IFC reviewed the subsidiaries' management accounts at each meeting. The Committee discussed the Portsmouth Technopole Limited accounts and the following key points were noted:
- (i) Portsmouth Technopole Limited (PTL) would be reporting a loss of £279k in 2018/19 compared to £9k in 2017/18. The Committee commented that although the loss was not material, PTL appeared to be experiencing repeated difficulties. The Committee recommended this be reviewed at the Board and asked to be kept apprised of progress in achieving profitable status.
 - (ii) It was noted that the performance of PTL had also been discussed by IFC.
 - (iii) Plans were in-hand to create and enhance activities to improve the financial performance of PTL and the overall contribution of the Technopole to the activities of the University.
- 23.7 The Committee requested one minor change in wording from 'Financial Stability' to 'Financial Sustainability' under the 'Addressing Risk' section in the Financial Review.
Action: Executive Director of Corporate Governance
- 23.8 Committee thanked the Executive Director of Finance and her team for the work in producing the Financial Statements.
- 23.9 The external auditors presented their management letter, and their decisions and conclusions were discussed in detail, noting in particular:
- (i) The financial statements were substantially complete and there were no material issues subject to final reviews and management making updates from previous reviews.

- (ii) The financial reporting control environment appeared to be robust and Deloitte did not have any material control matters to bring to the Committee's attention. There had been no significant changes to the audit plan set out in the document received by the committee previously.
- (iii) Significant risks: there were only small and close to trivial matters that had been corrected.
- (iv) Fair Value: Deloitte had reviewed the external valuation by Mazars LLP and had made some recommendations.
- (v) Pensions: Overall the assumptions used to value the University pension scheme represented a reasonable position to adopt.
- (vi) Sector Updates: in particular the University's responses to recommendations in the sector update were noted by the Committee. The new OfS accounts direction for 2019/20 would be received by the Audit and Quality Committee at the February 2020 meeting. Cyber security reports are received by the IFC. A presentation from the interim IS Director for the Committee would be scheduled to give assurance on cyber-security related matters.
- (vii) The letter of representation prepared by Deloitte LLP was tabled. Committee noted that the letter was the same as the previous year's except for the addition of wording relating to funding arrangements with the OfS and holding loan notes to maturity.

23.10 On behalf of the external auditors Deloitte LLP, Andy Hornby confirmed the management letter's conclusion of overall satisfaction with the financial performance and management of the University in 2018/2019.

The External Governors agreed that they did not require University Management to withdraw from the meeting as they had already had the opportunity for a private discussion with the external auditors' representatives at the start of the meeting.

23.11 Committee agreed to recommend to the Board of Governors the adoption of the financial statements for the year ended 31 July 2019.

24 Internal Audit

24.1 Internal audit annual report 2018/2019: on behalf of the internal auditors RSM LLP, Lorna Raynes presented this report which provided a summary of the work undertaken during the 2018/19 session.

- (i) The auditors' overall opinion was that, for the year 2018/2019, the organisation had an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness. However, within this overall opinion, the auditors identified further improvements to the framework of risk management, governance, internal

control and economy, efficiency and effectiveness to ensure that it remains adequate and effective.

- (ii) Committee discussed the wording of the internal auditors' opinion in detail. The Internal Auditor confirmed that this opinion represented a positive outcome. Members were satisfied that the overall opinion was a fair conclusion. The auditors' overall opinion was accepted by Committee and management.

24.2 Internal Audit Progress Report 2019/2020: Committee noted that there had been no changes to the plan.

- (i) Two internal audit reports, Pat Testing and Chemical Storage, were now in draft form and were with management for comment.
- (ii) The IS stocktake audit was to enable an independent review that would check and confirm the closure of the risks and recommendations from the previous investigation into an alleged fraud.
- (iii) It was noted that at the last meeting of the Committee it had been agreed that the audit scheduled to review timetabling processes did not warrant Internal Audit time. RSM LLP would review this matter and report back to the Committee.

Action: RSM LLP

24.3 Estates Stocktake: Committee were pleased to note the overall conclusion of the audit was substantial assurance.

24.4 Procedures for Overseas Travel Risk Assessments: the overall conclusion of the audit was limited assurance. There were four medium findings. Chris Chang, Pro Vice-Chancellor (Global Engagement and Partnerships) attended for the discussion.

- (i) It was confirmed that there would be a phased roll out of the new online integrated travel management and expenses system to staff, starting in December 2019. The extension of the system to students was planned but would take longer as there were additional issues to be resolved and was not expected until June 2020.
- (ii) The system would also be implemented in the future for students travelling as part of their learning experience. In the interim the Faculties would be asked to log student travel on the system to provide data on location, to provide assistance to individuals if required.
- (iii) In view of the importance of these arrangements and the significant gaps identified in the audit, the Committee asked to review progress at the 13 February 2020 Committee meeting.

Action: Pro Vice-Chancellor (Global Engagement and Partnerships)

- (iv) Committee were assured of the progress made with tackling the issues raised by the audit report.

- 24.5 Recommendation Follow-up report: Committee noted that there were continued software issues following a recent upgrade of the 4Action software which meant that data and updated narrative that had been entered into the system could not be extracted easily into reports. A solution was being worked upon and the report would be available for the next meeting on 13 February 2020.

25 Education and Skills Agency: Sub-Contracting

The Committee received a report prepared by Claire Middleton, Business Development Manager, Degree Apprentices. In discussion the following key points were noted:

- 25.1 The report and appended letter informed the Committee of the Education and Skills Agency's requirements and expectations for sub-contracting. It also provided information to assure the Committee that the University was in full compliance with these requirements and expectations.
- 25.2 The Committee noted the report and the letter from the Education and Skills Funding Agency.

26 Draft Annual Report of Audit and Quality Committee

- 26.1 The University was required to forward to the OfS an annual report on the work of Audit and Quality Committee. The annual report had three appendices:
- (i) Constitution, membership and terms of reference;
 - (ii) The internal auditors' annual report;
 - (iii) The annual assurance return.
- 26.2 Committee considered the draft report which would be updated with relevant points following discussion at this meeting and minute references (throughout the report) as appropriate.
- 26.3 Committee noted paragraph 59 of the annual report and confirmed they were content with the assurances that the Committee was required to make on behalf of the governing body.
- 26.4 Committee agreed to recommend that the report be adopted by the Board of Governors' meeting on 25 November 2019.

Action: Executive Director of Corporate Governance

27 Annual Fraud and Financial Irregularities Report– confidential minute

28 Annual Safeguarding Report (including Prevent Duty)

Committee received from Adrian Parry, Executive Director of Corporate Governance a report on University-wide safeguarding activities, including a report on the University's delivery of the Prevent duty. In discussion the following key points were noted:

- 28.1 The report responded to a recommendation from an internal audit of the University's safeguarding processes that was undertaken earlier in the year.
- 28.2 Committee noted that there was a considerable amount of safeguarding activity undertaken within the University and that these activities were overseen by the Safeguarding Board.
- 28.3 The work of the Safeguarding Board covered a broad spectrum of activity. It provided advice on policies and process, provided a forum for discussion of sector-wide initiatives and looked to take examples of practice from elsewhere, particularly when there had been incidents at other universities with wider learning points for the sector as a whole.
- 28.4 The report also included the University's annual Prevent report. This was necessary for the Board to give the assurances to the OfS in the accountability statement and the data return which would be submitted to the OfS. Committee agreed that the report demonstrated that the University had given careful consideration to its Prevent duty over the last year, whilst balancing this duty with other legal duties to protect freedom of speech and academic freedom.
- 28.5 Committee noted the Safeguarding report.
- 28.6 Committee agreed to recommend that the Prevent duty report be endorsed by the Board of Governors at its meeting on 25 November 2019 as providing reassurance that the University was delivering the Prevent duty.

29 Assurance Statement on Quality

Committee received the Academic Quality Assurance report from Rebecca Di Pancrazio, Head of Student and Academic Administration. This report would be submitted to the Board of Governors on 25 November 2019. In discussion the following points were noted:

- 29.1 The OfS required the Board of Governors to confirm that they had received a report that gave them confidence in the continuous improvement of the student academic experience and student outcomes and of the reliability of degree standards. The report would provide the basis for the assurance return to OfS. Committee requested a copy of the academic committee structure be appended to the report in the future.
- 29.2 Committee noted in particular three areas.
 - 29.2.1 The University had been working closely with the General Optical Council (GOC) since the launch of the MOptom course in 2016/17 to satisfy the conditions of approval. The GOC had informed the University on 10 September 2019 that it would not permit recruitment to the first year of the MOptom course for the academic year 2019/20. The GOC also advised the

University that it would review the University's provisional approval at their next visit in late November 2019.

- 29.2.2 To support the registration of Navitas with the OfS the University had changed the status of the business relationship with Navitas from a partnership to sub-contracted, as required by the OfS.
- 29.2.3 The Committee noted that the University had submitted commentary and evidence to the OfS explain the significant percentage increase in first class degrees between 2010 and 2012, making it clear that this was due to a change in regulations made in response to detailed benchmarking research and modelling.
- 29.2.4 The Committee noted that the Board had been provided with regular updates on all these matters.
- 29.3 Committee discussed the findings of the report, and agreed to recommend to the Board that the full report be endorsed by the Board at its meeting on 25 November 2019 as providing confidence in the continuous improvement of the student academic experience and student outcomes and of the reliability of degree standards.

30 Modern Slavery Act 2015 – Review of Statement

Committee received an updated statement and a draft policy to underpin the statement that had been prepared by Claire Dunning, University Solicitor and Claire Crothers, Procurement Manager. Key points noted during discussion were:

- 30.1 Committee noted that the Modern Slavery Act 2015 required organisations (and their subsidiaries) with a turnover of more than £36m to produce and publish an annual slavery and human trafficking statement or a statement that they had no statement to publish. The statement should be published within six months of the financial year end.
- 30.2 This annual statement provided an update on the actions proposed in the University's previous annual statement and set out the steps that the University planned over the next twelve months.
- 30.3 A modern slavery audit template had been developed for use in supplier audits. This had been trialled by the Procurement Department in a supplier audit. The audit was intentionally carried out without notice to allow the University to assess the supplier's processes and procedures on modern slavery without them being able to prepare documentation in advance. The result was the provision of little meaningful information by the supplier. Before supplier audits were carried out, in future the University would consider whether advance notice was appropriate, and revisit the questionnaire content to ensure more probing and engaging questions to ensure useful data was received.
- 30.4 Committee considered the updated statement, agreed that it represented progress on last year, and subject to an amendment to the wording to strengthen action with

suppliers, the Committee agreed to recommend the statement to the Board for approval at its meeting of 25 November 2019.

31 Non-Audit Services Provided By External and Internal Auditors

- 31.1 Committee noted the annual report on audit fees paid to, and additional services purchased from, the external and internal auditors in 2018/2019. Committee confirmed that the additional payments were at an appropriate level and presented no risk of compromising the auditors' independence.
- 31.2 Committee noted planned non-core audit services to be provided by the internal and external auditors during the course of September to 31 October 2019. Committee confirmed they were appropriate and would not compromise the auditors' independence.
- 31.3 Committee noted the statement of independence for the external auditors had been included within the management letter (Min 23.9) and for the internal auditors would be in their annual report (Min 24.1).

32 Compiling the New Corporate Risk Register

Committee received an update report from Adrian Parry, Executive Director of Corporate Governance about plans to review the Corporate Risk Register following the approval of the new University Strategy. The new register would be received by the Committee at its meeting on 13 February 2020. The Committee were asked to forward any general comments on the form or coverage of the new risk register to the Executive Director of Corporate Governance that could assist with this task

33 Value for Money (VFM)

Committee received and noted a report from Adrian Parry, Executive Director of Corporate Governance that provided an overview of the recently published OfS Value for Money Strategy for 2019 to 2021. In discussion the following points were noted:

- 33.1 Value for money has been an explicit area of interest and focus for the Committee.
- 33.2 The strategy relied upon a survey undertaken in 2018 that was limited in scope and sample and commissioned from and led by two student unions.
- 33.3 The Committee noted the publication of the Strategy.

34 Health and Safety

- 34.1 Committee received the Health and Safety Annual Report 2018/2019 from Lynda Martin, Interim Health and Safety Manager. In discussion the following points were noted:

- (i) The Committee congratulated the Health and Safety team on the outcome of a reaccreditation audit by NEBOSH (The National Examination Board in Occupational Safety and Health) which led to the University being awarded Gold Learning Partner status and accredited in all courses for a further three years.
- (ii) The Committee noted that there had been two chemical incidents (December 2018 and July 2019) during the reporting period in the Faculty of Science and Health, in the St Michaels Building.
- (iii) It was noted that the three outstanding fire drills had been completed since the report was written.
- (iv) The Annual Report of Health and Safety 2018/2019 would be presented to the 22 January 2020 Board meeting.

34.2 Chemical Incident Report: Committee noted the Investigation Report prepared by the Interim Health and Safety Manager about the chemical incident that occurred on 6 July 2019. Progress against the action plan and recommendations will be reported to this Committee.

35 Annual Report on Student Complaints

The Committee noted the annual report on student complaints received during the academic year 2018/2019 prepared by Samantha Hill, Information Disclosure and Complaints Manager.

36 OfS Publications

Committee noted the full list of OfS publications could be found at:
<https://www.officeforstudents.org.uk/publications/>.

37 Date of Next Meeting

The next meeting would be on Tuesday 13 February 2020 from 1030.

[Post meeting note: due to availability of some members the meeting was rescheduled to 24 February 2020.]

38 Delegation of Authority to the Chair

Committee agreed to delegate authority to the Chair to take action on audit business before the next meeting if necessary.