

**AUDIT COMMITTEE**

**04 November 2020 - Meeting Room 209, Sutherland Building, City Campus**

**CONFIRMED SUMMARY MINUTES**

**Contact Susan O'Donnell, [susan.odonnell@northumbria.ac.uk](mailto:susan.odonnell@northumbria.ac.uk), Secretary to the Board of Governors, with any queries about these Summary Minutes.**

*The meeting was preceded by a closed meeting with Committee Members and the representatives of internal and external audit.*

**Present:** A Corfield (Chair), D Jennings, N Pope.  
**Apologies:** A Rice-Thomson, M Ritzmann, Professor A Wathey.  
**Secretary:** S O'Donnell (Secretary), R Elliot (Assistant Secretary).  
**In attendance:** J Embley [AC19/40-a], Professor P Francis, S Kenny (EY), Professor G Marston [AC19/26 and AC19/40-a], Professor S Kyffin [AC19/26], L Lee [AC19/40-a], D Monnery, P Moran (KPMG), S Newitt, E Pritchard [AC19/40-a], N Wright (EY).

**MAIN ITEMS DISCUSSED/DECIDED ON AT THE MEETING**

<b>1</b>	<p><b><u>Meeting Record, Reporting and Context</u></b>  <b>Preliminary Items</b> [Oral Report]  The Committee: [i] thanked Nick Pope, whose last meeting of Audit Committee this was , for his service to the Committee, and also extended its thanks to David Warcup who had resigned from the Board since the September meeting of the Committee, [ii] thanked Paul Moran of KPMG, who last meeting of Audit Committee as external audit engagement lead this was, for his contribution to the work of the Committee and [iii] congratulated Susan O'Donnell on her appointment as Secretary to the Board and Head of Governance.</p> <p><b>Summary Action List/Matters Arising</b> [AC19/23]  The Committee considered progress in the implementation of previously agreed actions and noted the ongoing effort across all Board Committees to reduce the number of historical and outstanding actions. <b>The Committee noted that action 18.139 should be closed, and 18.150 required a deadline date; holding bay actions could be released with the exception of actions 18.76, 18.151 and 19.29, which should be retained pending the provision of further information.</b></p> <p><b>Committee Terms of Reference and Membership 2019/20</b> [AC19/24]  The Committee considered its Terms of Reference and Membership for 2019/20, amended to reflect points raised at the 09 September 2019 meeting. Revised Audit Committee guidance was still awaited from the OfS in Autumn 2019 following the removal of the OfS Audit Code of Practice from the Terms and conditions of funding for 2019-20. <b>The Committee approved the Terms of Reference and Membership 2019/20 for onward review by Nominations Committee and Board of Governors' approval, and noted that a consistent approach to the status of co-opted Committee members across all Committees of Board of Governors was required.</b></p>
<b>2</b>	<p><b><u>Internal Audit</u></b>  <b>Outstanding Audit Actions: 31 October 2019</b> [AC19/25]  <b>The Committee</b> considered progress in the implementation of outstanding audit actions since its 09 September discussion and <b>approved the proposed revised deadline for the overdue action.</b></p> <p><b>Internal Audit Progress Report and Q4 Audits</b> [AC19/26]  The Committee considered progress against the 2018/19 internal plan since its 09 September 2019 meeting. Outcomes of the remaining 2018/19 audits were as follows:</p> <ul style="list-style-type: none"> <li>➤ <b>Fundamental Financial Controls – medium risk. The Committee noted that all material contracts now had a named owner and were supported by a proforma that summarised the management arrangements.</b></li> <li>➤ <b>Selecting and Managing Partners – medium risk. The Committee noted the close involvement of University management in shaping the recommendations, and that</b></li> </ul>

	<p>management buy-in and culture change were required to ensure that the challenging deadlines for implementing the required improvements could be delivered.</p> <p>➤ <b>Grant Terms and Conditions - medium risk.</b> The Committee noted that as with a number of other issues, academic and management cultural change is key to improvement in this area, and will require strong and active leadership from University Executive.</p> <p><b>Internal Audit Annual Report and Opinion 2018/19 (Final) [AC19/30]</b>  In EY's opinion, based on work done, reasonable assurance had been obtained that Northumbria University had adequate and effective arrangements to achieve management's objectives over risk management, control and governance and economy, efficiency and effectiveness (value for money) arrangements. <b>The Committee accepted the Internal Audit Opinion 2018/19 for inclusion in the Annual Report of Audit Committee.</b></p> <p><b>Internal Audit Plan 2019/20 (Final) [AC19/31]</b>  <b>The Committee approved the revised Plan and confirmed that its members should be consulted via email regarding which audits they wished to review the terms of reference for, ahead of fieldwork beginning.</b></p>
3	<p><b><u>External Audit and OfS Accountability Returns 2018/19</u></b></p> <p><b>External Audit Report [AC19/32]</b>  The Committee considered the year-end report of KPMG, the external auditors. The audit was now substantially complete, with two minor unadjusted audit differences, with a net impact of increasing the reported deficit by £330k, identified. The major issue of pensions liabilities had been treated and disclosed as an exceptional item, which was appropriate, and was well explained in the introduction to the accounts. <b>The Committee noted the year-end report and noted that the IT Director would focus on resolving the outstanding 2017/18 IT-related recommendations.</b></p> <p><b>Annual Report and Financial Statements [AC19/34]</b>  The Committee considered the draft Annual Report and Financial Statements for 2018/19. The University's financial performance was in line with expectations during the year to 31 July 2019, despite the large deficit driven by sector-wide, one-off pension related adjustments that had no cash impact. Work was continuing on how best to communicate this position, particularly the pensions issue. <b>The Committee endorsed the Annual Report and Financial Statements for reporting to Board of Governors on 18 November 2019.</b></p> <p><b>Going Concern Assessment [AC19/35]</b>  The Committee considered the University's assessment of its ongoing financial viability and sustainability. The University's Board of Governors must confirm that it has reasonable expectation that the University has adequate resources to continue in operation for the foreseeable future. This is known as the Going Concern assessment, and the External Auditor must concur with that view in order for them to provide an unqualified opinion. The assessment was based on the five-year forecasts which had been prepared for OfS, which provided clear evidence both of the forecast plans for sustainability, and the alternative scenarios which may emerge. <b>The Committee noted that the use of longer-term forecasts to assess going concern was much more useful than the twelve-month horizon prescribed for the external audit and endorsed the assessment of going concern as the basis for the accounts.</b></p> <p><b>Annual Value for Money Report [AC19/36]</b>  The Committee considered the University's internal Value for Money (VfM) report for 2018/19, in support of the Audit Committee's Annual Report. The report provided a more qualitative assessment of the University's VfM performance than the quantitative Annual Efficiency Return allowed in previous years. Northumbria had sought to widen its focus on VfM to incorporate the direction of travel indicated by OfS, considering not only how it spent public money in an efficient and effective way, but also how it could demonstrate value to students in terms of quality, employability, and overall experience. <b>The Committee asked that further work was done to demonstrate how VfM informs the wider decision making progress, and recommended that the University consider the development of a VfM action plan aligned with the University Strategy and embedded in the annual planning round. The Committee endorsed the inclusion of VfM considerations in reporting templates and endorsed the University's internal Value for Money (VfM) report for 2018/19.</b></p>

	<p><b>Prevent Duty Annual Report [AC19/37]</b> The Committee considered the annual report 2018/19 on the University's compliance with the Prevent Duty during the period 01 August 2018 - 31 July 2019. <b>The Committee endorsed the report as the basis for the Annual Prevent Accountability Statement, signed by the Chair of the Board, and a dataset to be submitted to OfS by noon on 02 December 2019.</b></p> <p><b>Annual Report of Audit Committee [AC19/38]</b> The Committee considered the final draft of the Annual Report of Audit Committee 2018/19, which was to be presented to the Board of Governors on 18 November. <b>The Committee noted that the OfS reportable incident concerning late payment of a QAA invoice should be mentioned, and subject to this amendment, recommended that the report should be submitted to the Board of Governors for endorsement and their authorisation for Vice-Chancellor signature and onward submission to OfS.</b></p> <p><b>TRAC Return 2018/19 [AC19/39]</b> The Committee noted that as result of changes to the submission process nationally, the University's TRAC (Transparent Approach to Costing) for 2018/19 would be circulated for approval by written resolution by Committee members in January 2020.</p>
4	<p><b><u>Policy, Risk and Assurance</u></b></p> <p><b>Health, Safety and Wellbeing Report – Annual Report [AC19/40]</b> The Committee noted the Health, Safety and Wellbeing Annual 2018/19, in particular the retention of the RoSPA gold award, and that there was one RIDDOR reportable incident during the reporting period. The completion rate of mandatory training for core staff was 93%. Wellbeing work was increasingly high profile; a survey was being introduced to obtain more robust baseline data. <b>The Committee commended the results achieved in 2018/19 and endorsed the intention to improve compliance with mandatory training; requested that the due date and completion date of outstanding audit action be included; requested some information on which health, safety and wellbeing risks were priorities for mitigation, and what programmes of work were in place to achieve this; noted its concern that sickness absence levels have increased and requested that an update should be provided in the next quarterly report.</b></p> <p><b>Health and Safety Plan 2019/20 [AC19/40a]</b> The Committee considered and endorsed the proposed Health and Safety Plan for 2019/20. It requested that details of the planned audits are articulated, that a similar governance process to that of Internal Audit is followed and that a section on audits be included in the Quarterly reports.</p> <p><b>Health, Safety and Wellbeing Report Q1 2019/20 [presentation]</b> The Committee considered the presentation and noted that the formal Q1 report will go to Board of Governors on 18 November 2019, when the quarter-end data would be available.</p> <p><b>Data Assurance Annual Report 2018/19 and Priorities 2019/20 [AC19/41]</b> The Committee considered the data assurance outline annual report 2018/19 and the proposed core priorities for data assurance work for 2019/20. <b>The Committee noted the approach and outcomes for the 2018/19 work and endorsed the proposed approach and coverage for 2019/20.</b></p> <p><b>Consultant Appointment and Management Process – Update [AC19/42]</b> The Committee noted the update on consultants engaged by the University on 01 October 2019 and the arrangements for future monitoring and ownership by the Director of HR &amp; OD. A monthly report was now shared with the Director of HR &amp; OD to ensure that the number of consultants, nature and length of the engagements and the costs were monitored and managed. All new consultancy contracts required approval by the Director of HR &amp; OD. <b>The Committee suggested that there should be a quarterly report to Employment and Finance Committee, and the issue would feature in future annual VfM reports to Audit Committee.</b></p> <p><b>Reportable Incidents Summary [AC19/43]</b> The Committee considered an update on Reportable Incidents as at 31 October 2019, and noted newly published OfS guidance on Reportable Events that would now form part of the OfS overall assessment of provider performance. There was one reportable incident concerning late payment of a QAA invoice, raised by OfS. <b>The Committee noted that as requested by OfS, a report of this incident would be submitted to the 18 November 2019 meeting of the Board of Governors in order to submit to OfS the record of this discussion, the reasons deadlines were missed and</b></p>

**the steps that would be taken to ensure that future deadlines are met.**

**Any Other Business**

It had emerged that the Annual Assurance Return, which was understood to have been discontinued by OfS, was still in fact required. Since items related to the Return had already been considered by the Committee, it **confirmed that it was comfortable with the Return being reported directly to Board of Governors on 18 November 2019.**

Richard Elliott  
Assistant Secretary to Audit Committee  
November 2019