AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee
held on Wednesday 12th October 2016

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair), Mr David Bagley (Independent Governor & Audit Committee member), Mr D Reid (Independent Governor & Audit Committee Vice-Chair), Mrs C Wright (Independent Governor & Audit Committee member)

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Mr A Newall (Manager, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors), Professor Wonnacott (Principal)

1. Apologies for absence. The Audit Committee noted that there were no apologies for absence but that there was a vacancy on the Committee as a result of Mr Clements leaving the Committee to become Chair of the Board of Governors from 17 July 2016. Mr Finnigan who had been Acting Chair of the Committee since 17 July 2016, asked for the Committee’s thanks to Mr Clements for his contribution to the work of the Committee to be recorded in the minutes.

2. Declarations of interest. There were no declarations of interest.

3. Election of Chair & Vice-Chair of the Audit Committee. The Clerk confirmed that written nominations for Chair and Vice-Chair of the Audit Committee had been received by e-mail. Mr Finnigan was elected as Chair of the Audit Committee for 2016/17: proposed Mr Reid, seconded Mrs Wright. Mr Reid was elected as Vice-Chair of the Audit Committee for 2016/17: proposed Mrs Wright, seconded Mr Bagley.

PART I - Items for decision

4. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 8 June 2016 were approved: proposed Mr Reid, seconded Mrs Wright.

5. Action table and matters arising from the minutes, not elsewhere on the agenda. It was noted that the actions arising from the above minutes had been completed or had a future completion date. The following updated reports were noted:
   - The Principal could confirm that the College’s agreements with overseas agents specifically stated that the College would not tolerate bribery and corruption and, in addition, all international students were interviewed and had their qualifications checked;
   - TIAA Ltd had corrected a minor typographical error in the Fixed Assets report, as agreed.
The Committee completed its review of actions and matters arising from the minutes.

**PART II - Risk management: items for consideration**

6. **Risk register.** The Director of Finance, Ms Bailey, presented the College's updated strategic risk register, reporting that the senior management team (SMT) had agreed the amendment of the following risks:
   - Risk 23 (Reputation and Strategy) had been amended to reflect the College's achievement of Taught Degree Awarding Powers (TDAP);
   - Risk 16 (Organisation) had been amended following a review of controls i.e. overall Governor attendance at Board of Governors’ meetings had fallen from 81% in 2014/15 to 73% in 2015/16 (against an approved target of 80%), and overall attendance at in-house training events had fallen from 81% in 2014/15 to 65% in 2015/16;
   - Risk 6 (Resources): wording concerning senior staff vacancies, which was no longer applicable, had been removed.

Members considered the change to Risk 16 in detail, noting that Governor attendance was regularly reviewed by the Board of Governors’ Search & Nominations Committee which agreed action as required. It was noted in discussion that, while the Board of Governors remained strong with a good skills mix, the fall in overall Governor attendance was considered to constitute a potential risk e.g. that a fall in attendance at in-house training events designed to help Governors increase their understanding of College and sector developments could affect Governors' ability to fulfil key duties. The risk had therefore been shown as a medium (Amber) in the updated register.

The Committee discussed Risk 2 (External/Political) where the risk remained high (Red) in the register even after controls. It was noted in response to members’ questions that the College took part in lobbying, where appropriate, through its membership of sector groupings (e.g. GuildHE) and would consider whether this should be stated in the register. It was, however, noted in discussion that the College's experience was that significant changes in government policy in relation to FE and HE funding were often made at short notice, which could disproportionately affect small and specialist institutions, and that lobbying could be ineffective e.g. lobbying in relation to cuts in FE funding affecting the Foundation Diploma in Art and Design. It was noted in response to members’ questions that grading external/political risk as high was likely to be sector-wide.

Members discussed Risk 11 (Competition for students), noting that the risk before controls had been graded high (Red) and after controls had been graded medium (Amber), although the College had over 6 applications per HE place and around 2 per FE place. It was noted in discussion that the College's SMT considered that the Amber rating remained appropriate as the application rate was not applicable to all courses, applications had to be converted to acceptances, and competition for HE students was increasing year on year e.g. some HE institutions (HEIs) were making unconditional offers.

It was noted in response to members' questions concerning the fact that the UK's proposed withdrawal from the European Union (EU) or Brexit had not been included in the strategic risk register, that this was because the College had few EU students and staff, and no EU research funding. It was noted in discussion that, as Brexit could have wider economic implications, this would, however, be kept under review.

The Committee received the College's updated strategic risk register.
PART III - Internal audit matters: items for consideration

7. **Internal audit: progress & implementation plan.** The Director of Finance, Ms Bailey, confirmed that all recommendations in the College’s implementation plan of internal auditors’ recommendations had been completed.

8. **Internal audit: annual report.** Mr McCulloch (Audit Director, TIAA Ltd) of the College’s internal auditors, presented the internal audit report for 2015/16.

Members noted that: the 24-day internal audit plan approved by the Audit Committee had been completed, with no changes made to the plan during the year; all reports had been issued within the 10 day deadline with one exception; 7 reviews had been undertaken with 6 receiving a substantial assurance opinion and 1 receiving a reasonable assurance opinion.

The Committee noted that the 2015/16 internal report stated that: “TIAA is satisfied that for the areas reviewed during the year that Leeds College of Art has reasonable and effective risk management, control and governance processes in place. Also, there was evidence to support the College’s achievement of value for money with regard to economy, efficiency or effectiveness of the systems reviewed. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the College’s risk management, control and governance processes or the ongoing financial viability which must be obtained by the College from its various sources of assurance”.

The Committee received the internal audit report for 2015/16 and agreed to submit it to the Board of Governors and to the Higher Education Funding Council for England (HEFCE).

*Action: Chair*

PART IV - Internal audit matters: items for recommendation

9. **Annual internal audit strategy & plan.** Mr McCulloch of the College's internal auditors, TIAA Ltd, presented the draft internal audit plan for 2016/17, which was discussed.

The Committee noted that the draft plan included 24 audit days. Planned reviews included: risk management (mitigating controls); payroll; student retention and interventions; application of the CUC Higher Education Code of Governance; income and debtors; student records (data quality); estates (property compliance); a follow up review of previous recommendations. Members considered the proposed plan with reference to coverage, risk, and flexibility.

It was noted in response to members’ questions concerning the inclusion of the student retention and interventions review in the plan that this was considered a key review given: the importance of student retention for income streams; the potential impact on College income of failure to retain HE students e.g. the final 50% of the HE fee was only paid by the Student Loans Company if the student returned after the Easter vacation; the need for assurance concerning the timely return of data to the Student Loans Company; the need for assurance that interventions to ensure student retention were effective; student retention was a key metric under the new HE Teaching Excellence Framework (TEF); the move from institutional grants to student loans in FE e.g. the introduction of Advanced Learner Loans for students aged 19-23. Members noted that the proposed audit review would supplement the key performance indicator (KPI) information on student retention provided to Governors against Higher Education Statistics Agency (HESA) benchmarks and complemented the proposed income and debtors review.

Members discussed whether the award of TDAP would require an increase in internal audit
days e.g. in relation to academic quality matters as Open University oversight of this area would cease. It was noted in discussion that the award of TDAP had been preceded by 2 years of scrutiny of the College’s systems and processes by Quality Assurance Agency (QAA) assessors, which therefore provided a recent degree of external assurance in this area. Members noted that HEFCE’s new operating model for quality assessment included a requirement for the governing bodies of HEIs to submit, from Dec. 2016, annual assurances on the continuous improvement of the student academic experience and of student outcomes and the reliability of degree standards. It was noted that, in addition to any internal audit reviews commissioned on the basis of risk, the need for internal audit input in this area would be kept under review as HEFCE developed further guidance on its requirements.

Members discussed how the annual internal audit plan related to the College’s risk register generally, noting that the plan was designed with reference both to risk and to assurance gaps e.g. an area included in the risk register might not be included in the internal audit plan if the College and Board of Governors already received assurance in that area from an external source.

Members noted in discussion that the annual internal audit plan was derived from the 2014-18 strategic internal audit plan, which covered key areas on a rolling basis designed to ensure that coverage was sufficient to allow the Audit Committee to provide the Board of Governors with the assurance opinions required under the Memorandum of Assurance and Accountability between institutions and HEFCE. It was noted that the annual internal audit plan derived from the strategic internal audit plan was reviewed by the Audit Committee annually and amended, as necessary, to ensure that it remained relevant to current needs.

The Committee agreed to recommend the internal audit plan 2016/17 to the Board of Governors for approval, with the following amendment: the addition of a risk score as a column in the table at Annex B: proposed Mrs Wright, seconded Mr Reid.

**Action: Amendment: Mr McCulloch, TIAA Ltd/Recommendation: Chair**

**PART V - Other annual reports: items for consideration**

**10 Annual Value for Money (VFM) report.** The Director of Finance, Ms Bailey, presented the College’s Value for Money (VFM) annual report, which summarised the actions taken to achieve VFM in 2015/16 and noted that the College’s SMT having reviewed relevant actions, projects and measures, had concluded that there was a commitment to VFM in the College and that good value for money was being achieved.

Members noted that submission of a VFM report to HEFCE had been optional for HEIs to date, noting that HEFCE had, however, issued a letter to all HEIs (Circular Letter 23/2016 Value For Money reporting) which stated that all HEIs would be required to submit a VFM report in Dec. 2016, which should be presented to the Board of Governors or a committee responsible for assurance on VFM, with HEFCE issuing guidance on the format of the VFM report for the Dec. 2017 submission. It was noted that, under its standing agenda item list, the Audit Committee received the College’s annual VFM report at an autumn term meeting and presented it to the Board of Governors and HEFCE as an Annex to the Committee’s annual report.

The Committee considered the report, noting the wide range of VFM initiatives that it documented. Members noted, in particular, that the College continued to work with North Eastern Universities Purchasing Consortium (NEUPC) and had renewed the annual contract for the services of a Procurement Consultant provided by NEUPC to assist with embedding Procurement and VFM strategies and ensure compliance with procurement legislation.

It was noted, in response to members’ questions as to how the College ensured that budget-holders not only followed VFM procedures but ensured that expenditure was necessary, that
the College’s SMT were confident that a commitment to achieving VFM was embedded amongst the College budget-holders, particularly in key areas such as capital expenditure, and that the SMT provided appropriate challenge where required.

Members discussed VFM and sustainability in relation to the College’s building project, with it being noted in response to members’ questions that the project had been formulated with reference to the BRE Environmental Assessment Method (BREEAM) excellence rating and included photo-voltaic panels. It was noted that BREEAM had been created as a cost-effective means of bringing sustainable value to development.

The Committee received the College’s 2015/16 VFM report and agreed to present it the Board of Governors and to HEFCE as an annex to the Audit Committee’s annual report, with the following amendment: the addition of a section in how VFM had been achieved in relation to the loan for the building project.

**Action: Amendment: Ms Bailey/Presentation: Chair**

11 **Annual report on fraud, bribery, irregularity and whistleblowing events.** The Committee received the College’s annual report on fraud, bribery, irregularity and whistleblowing events, noting that there had been no significant fraud, as defined in the Memorandum of Assurance & Accountability between HEFCE & institutions (June 2014/12 & July 2016/12), and no bribery, irregularity or “whistle-blowing” events in 2015/16 or to the date of the current meeting.

12 **Management representations.** The Clerk reported that the Committee received, at its Oct. meeting, annual management representations to provide members of the Board of Governors with the necessary information to make the required annual representations to the College’s external auditors.

The Committee received, for information, annual management representation from the Principal and Director of Finance on breaches of laws and regulations, actual or suspected frauds, and the existence of related party transactions, noting that both had declared that they were not aware of any issues which should be brought to the Board of Governors’ attention.

13 **External auditor independence: annual report on non-audit work undertaken by auditors.** The Clerk reported that, under the Audit Committee’s standing agenda item list, the Committee received an annual report on non-audit work undertaken by the external auditors at its Oct. meeting. Mr Newall of the College’s external auditors, KPMG, confirmed that no non-audit work which could compromise the external auditors’ independence had been undertaken during the period under review and that the only work undertaken by KPMG which was not related to the annual audit opinion was the work relating to the Teachers’ Pension Scheme (TPS) certificate, which had been detailed in the external audit plan and strategy for the audit for the financial year ending 31st July 2016 approved by the Board of Governors at its July 2016 meeting.

The Committee received the College’s Policy on using external auditors for non-audit services, for information, and the Director of Finance’s report on non-audit work, noting that no non-audit fees had been charged in 2015/16.

**PART VI - Committee matters: items for approval**

14 **Draft Audit Committee annual report.** Members considered the first draft of the Audit Committee report for 2015/16, agreeing the following amendments:

- At section 5, the references to meeting dates should be to 2015/16 and 2016/17;
- At section 6, the reference to June 2016 should be removed;
• At section 7.7, the addition of "plan" after "internal audit" in the first sentence;
• At 8.4, the second sentence should refer to HEFCE's Memorandum of Assurance and Accountability;
• At section 12, the addition of a sentence stating that "TIAA embedded VFM reporting within each internal audit review undertaken in 2015/16, at the request of the Audit Committee";
• At section 13, the reference in the second paragraph should be to "October 2015 and October 2016";
• Numbering after section 13 should be corrected;
• At section 14, the reference in the final paragraph should be to "November 2015";
• At section 16, with reference to external training events, that Mr Bagley had attended a KPMG Audit Committee Institute HE update seminar in July 2016, noting with reference to 2016/17 that Mr Finnigan was due to attend a KPMG Audit Committee Institute HE update seminar on 16 Nov. 2016 i.e. after the proposed date of signing of the Audit Committee's annual report on 9 Nov. 2016.

It was agreed that the report should not include a reference to the assurances required in relation to HEFCE’s new operating model for quality assessment, as the relevant report would be presented directly to the Board of Governors rather than the Audit Committee.

The Committee approved the first draft of the Annual Audit Committee Report for 2015/16, amended as noted above, noting that the final draft would be presented to the Committee’s Nov. 2016 meeting.

Action: Clerk

15 Audit Committee self-assessment checklist, including compliance review against HEFCE’s accountability requirements. It was noted that the Committee assessed its performance and effectiveness annually using a checklist based on the model in the Committee of University Chairs (CUC) Handbook for members of Audit Committees in HEIs, with the addition of a compliance/document submission section documenting compliance with HEFCE’s accountability schedule. A checklist reviewing compliance against the Committee’s terms of reference had been reviewed annually at the Committee’s June meeting.

The Committee reviewed a pre-completed draft Audit Committee self-assessment checklist for 2015/16, agreeing the following:
• The Yes/No grading system should continue to be used;
• At C.2, the reference to Baker Tilly should be removed;
• At C.3, the addition of a note that Mr Bagley attended a KPMG HE update in July 2016.

Action: Clerk

It was agreed that the Clerk should clarify, with reference to the compliance/document submission section of the checklist (which documented compliance with HEFCE’s accountability schedule), that this was being presented to the Audit Committee for information and documented compliance by the Audit Committee, Board of Governors and/or the College, as appropriate.

Action: Clerk

The Committee completed its 2015/16 self-assessment checklist and reviewed the attached HEFCE accountability requirements compliance checklist, agreeing that the final version of the checklist should be presented to the Chair of the Audit Committee for signing at the Committee’s Nov. 2016 meeting.

Action: Clerk

16 Revised standing agenda item list. The Committee reviewed its 2016/17 standing agenda
item list, agreeing the following amendments: that the Committee’s annual review of its terms of reference should take place at its summer term meeting and that a redundant reference to “autumn” at item 11 in the list should be removed.

Action: Clerk

PART VII – Items for information

17 KPMG: HEI technical update. Audit Committee briefing. (Sept. 2016). Mr A Newall (Manager, KPMG LLP UK, External Auditors) reported that KPMG had decided to present its HEI technical update separately from the annual external audit plan e.g. in the autumn and spring terms.

The Committee considered KPMG’s Sept 2016 HEI technical update report, which included: an executive summary; Brexit impact update; thought leadership section; technical update; and events schedule.

Members discussed in detail the section in KPMG’s report on the Mar. 2016 Local Government Scheme Pension (LGPS) valuation, noting that in the next few months Administering Authorities would start notifying employers of the results of the LGPS valuation and contributions from April 2017, which were likely to increase for HEIs, given that the overall LGPS deficit could be expected to have increased. It was noted that KPMG’s advice was that HEIs should therefore consider their exposure to the LGPS. Members noted that the College’s support staff were eligible to join the LGPS, which was a funded defined benefit scheme, with the assets held in separate trustee funds administered by the West Yorkshire Pension Fund (WYPF). Members discussed whether the College should create a provision for its share of the estimated deficit of the LGPS even though no demand had yet been made by the scheme. It was explained that this liability was recognised in the accounts under FRS102.

The Committee received KPMG’s Sept. 2016 HE technical update.

18 HEFCE Memorandum of Assurance & Accountability (July 2016). The Committee noted that the Higher Education Funding Council for England (HEFCE) had issued Circular letter 15/2016 on 6 July 2016, detailing changes to the Memorandum of Assurance and Accountability between institutions and HEFCE (the Memorandum) in force from 1 Aug. 2016. Members noted that changes to the Memorandum highlighted in the letter included: a revised operating model for quality assessment; changes to the triggers for Exchequer interest repayment; enhanced guidance at Annex E to the Memorandum on charity disclosures in institutions’ financial statements; revised wording for the annual external audit opinion as a result of the new FE & HE Statement of Recommended Practice (SORP).

It was noted in response to members’ questions concerning changes to the triggers for Exchequer interest repayment that the College tracked separately those assets purchased with HEFCE capital grant.

The Committee received HEFCE Circular letter 15/2016 and the Memorandum of Assurance and Accountability between institutions and HEFCE (July 2016/12), for information and reference.

19 HEFCE annual accountability returns 2016/17. The Audit Committee received, for information, Circular letter 25/2016 (Assurance statements from governing bodies as part of the new operating model for quality assessment) (Aug. 2016), noting that HEFCE’s Annual Accountability Returns 2016 document had yet to be published.
PART VIII - Final matters

20 Any other urgent items of business. There were no other items of business not already on the agenda.

21 Risk management. No new items of risk were identified at the meeting.

22 Date of next meeting: Wed. 9th Nov. 2016 at 3.30pm.

PART IX - Reserved Matters - for decision

23 Exclusions. Mr A Newall (Manager, KPMG LLP UK, External Auditors) and Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors) left the meeting before consideration of agenda confidential Reserved Matters agenda item 24 (Internal auditor’s performance checklist).
AUDIT COMMITTEE

Confidential Reserved Matters minutes of a meeting of the Audit Committee held on Wednesday 12th October 2016

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair), Mr David Bagley (Independent Governor & Audit Committee member), Mr D Reid (Independent Governor & Audit Committee Vice-Chair), Mrs C Wright (Independent Governor & Audit Committee member)

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Professor Wonnacott (Principal)

PART IX - Reserved Matters - for decision

24 Internal auditor’s performance checklist. The Committee considered the 2015/16 internal audit checklist, which was based on a Committee of University Chairs (CUC) model, and which related to the first year of TIAA Ltd’s appointment as internal auditors.

[Confidential minute].

The Committee completed its review of the internal auditor’s performance in 2015/16.
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee
held on Wednesday 9th November 2016

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair), Mr David Bagley (Independent Governor & Audit Committee member), Mr D Reid (Independent Governor & Audit Committee Vice-Chair)

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Mr A Newall (Manager, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors), Professor Wonnacott (Principal)

1. Apologies for absence. Apologies were received from Mrs C Wright (Independent Governor & Audit Committee member).

2. Declarations of interest. There were no declarations of interest.

PART I - Items for decision

3. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 12th October 2016 were considered and it was agreed that the final sentence of the third paragraph of section 17 should be amended to read as follows: “Members discussed whether the College should create a provision for its share of the estimated deficit of the LGPS even though no demand had yet been made by the scheme. It was explained that this liability was recognised in the accounts under FRS102”. It was agreed that following amendment, the minutes should be e-mailed to the Chair of the Audit Committee for review before being represented for signing by the Chair on 23rd Nov. 2016.

Action: Clerk

The minutes of the meeting of the Committee held on 12th October 2016, amended as noted above, were approved: proposed Dr Reid, seconded Mr Bagley.

4. Action table and matters arising from the minutes, not elsewhere on the agenda. The Committee considered the action table attached to the above minutes, noting that all matters had been completed or would be completed at the current meeting, with the exception of actions due for completion at the Board of Governors' meeting on 23rd Nov. 2016. There were no other matters arising from the minutes.

The Committee completed its review of actions arising from the minutes.
5. **Risk register.** It was noted that the College's strategic risk register, which had been presented termly, had been considered at the Committee's Oct. 2016 meeting.

**PART III - Internal audit matters: items for information**

6. **Implementation plan of internal auditors’ recommendations.** It was noted that the Committee had reviewed the implementation plan of internal auditors’ recommendations at its Oct. 2016 meeting, noting that all recommendations had been completed.

**PART IV - External audit matters: items for consideration**

7. **Members’ Report & Financial Statements for y.e. 31.7.16.** Members noted that, under its terms of reference the Committee’s remit included: considering elements of the annual members’ report and financial statements in the presence of the external auditors, including the auditors’ formal opinion, the statement of members’ responsibilities and the statement of internal control, in accordance with the funding council’s accounts directions; and recommending the annual financial statements to the Board of Governors for approval.

The Director of Finance, Ms Bailey, presented the Members’ Report & Financial Statements for year ended 31 July 2016, which were considered.

Members noted that:

- There was still some draft wording in members’ report & financial statements, as the College was not yet certain when the revolving credit facility with HSBC would be agreed;
- No reconciliation or adjustments had been required between the unaudited management accounts for the financial year ended 31st July 2016, which had been considered at the Board of Governors’ Oct. 2016 meeting, and the financial statements under consideration;
- The College had prepared its financial statements in accordance with Financial Reporting Standard (FRS) 102 for the first time and consequently had amended certain accounting policies to comply with FRS 102 and the 2015 FE HE Statement of Recommended Practice (SORP);
- The accounting policies set out in Note 1 to the financial statement had been applied in preparing the financial statements for the year ended 2016, the comparative information presented in the financial statements for the year ended 2015, and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014;
- With reference to the restated 2014/15 numbers, the largest adjustment was the movement of deferred capital grants into the top half of the balance sheet;
- An explanation of how the transition to the 2015 FE HE SORP had affected the reported financial position, financial performance and cash flows of the consolidated results of the College had been provided in note 22 to the financial statements;
- Items that had been previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) were now recorded within the Statement of Comprehensive Income (SoCI);
- The transition to FRS 102 had had no impact on cash flows;
- The requirements of FRS 102 in respect of defined benefit pension schemes were similar to those of FRS 17 but with FRS 102 requiring the recognition in the SoCI of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied).

It was noted, in response to members’ questions, that: the reference to the award of Taught...
Degree Awarding Powers (TDAP) in the members’ report was brief, as it was a post-balance sheet event; the list of Governors included those who had served between 1st Aug. 2015 and the date of signing of the financial statements. Members commented favourably on the list of student achievements included in the members’ report.

The Committee noted, with reference to item 8, that the auditors anticipated issuing an unqualified audit opinion in the standard format on the financial statements.

It was agreed that the Director of Finance would amend a number of typographical errors, which had been notified by members, in the final draft version of the members’ report and financial statements which would be presented to the Board of Governors.

The Committee agreed to recommend the Members’ Report and the Annual Financial Statements for the year ended 31st July 2016, amended as noted above, to the Board of Governors for approval and submission to HEFCE: proposed Dr Reid, seconded Mr Bagley.

**Action: Chair**

8. **External Auditors’ Management Letter for y.e. 31.7.16.** Mr Newall of the external auditors, KPMG, presented the Audit Highlights Memorandum and Management Letter for the year ended 31st July 2016, which were discussed.

Members noted that the document’s executive summary stated that: the College had delivered a surplus in 2015/16 of £2.4M (15% of total income), which was an increase from the 2014/15 restated surplus (£1.97m and 14% of total income; the College had net assets as at 31st July 2016 of £20M, including its West Yorkshire Pension Fund pension liability of £4.8M, which increased by £2.1M in 2015/16. Members noted that no significant adjustments had been made to the accounts following the audit.

The Committee noted that, following resolution of outstanding matters stated below, KPMG currently intended to state in their opinion on the financial statements that they gave a true and fair view of the state of the affairs of the College as at 31st July 2016; had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (GAAP), (including FRS 102) and the FE HE SORP; met the requirements of HEFCE’s accounts direction to HEIs for the 2015/16 financial statements. In addition, they anticipated that they would be able to confirm, in all material respects that funds from whatever source administered by the College for specific purposes had been applied to those purposes. It was noted that the following audit matters were currently noted as outstanding: the final review by KPMG of the updated Financial Statements and Operating and Financial Review 2015/16; receipt by KPMG of the management representation letter from the College.

Members noted, with reference to tangible fixed assets, that: KPMG had considered the accounting treatment of capital expenditure and related transactions in the financial statements at 31st July 2016, and considered the compliance with the requirements of accounting standards, with their substantive testing providing assurance that the amounts were correctly recognised within the accounts in the appropriate financial year, and that they had considered the accounting treatment of assets under construction and assets disposed of through 2015/16 and had confirmed that the accounting was in line with the SORP and FRS102 requirements.

It was noted that a recommendation (graded medium priority) had arisen from the audit which had resulted from an IT system error affecting invoice authorisations between £750 and £900, which the relevant software provider had now confirmed had been resolved. Members discussed the recommendation in detail, noting that appropriate management responses had been agreed.
The Committee noted that:

- KPMG’s actuaries had reviewed the actuarial valuation for the West Yorkshire Pension Fund (WYPF), considered the disclosure implications and compared the actuarial valuation to its internal benchmarks;
- KPMG had reviewed the financial statements to consider whether the pensions disclosures were appropriate and had reviewed the accounting treatment for annual pension charges though the Statement of Comprehensive Income.

Members considered KPMG’s contextual analysis of the WYPF deficit at Appendix 3 to the report, noting that:

- The College’s balance sheet over the past five years reflected a growth in the value of its estate, alongside additional borrowing and an increase in LGPS pension liabilities;
- 2015/16 had seen an increase in net income primarily driven by increased tuition fee income as a result of increased HE student recruitment, offset by increased staff costs;
- The College’s WYPF net pension liability had increased by £2.1 million from 2014/15 to 2015/16;
- The value of the assets in the pension scheme had grown by £1.2m but this had been offset by an increase in the liabilities of £3.3m;
- The movement in the pension deficit in the 12 months to 31st July 2016 had largely been due to the fall in AA bond yields, which had fallen from 3.5% at 31 July 2015 to 2.3% at 31st July 2016, reflected in the actuarial assumption for the discount rate which had been reduced by 1.2% from 2014/15 to 2015/16;
- The increase in the deficit was a trend which had been replicated in Local Government Pension Schemes (LGPS) across the HE sector;
- KPMG had reviewed the actuarial assumptions applicable to the College and consulted with KPMG’s pensions team and considered that, overall, the assumptions adopted fell within an acceptable range.

It was noted in response to members’ questions that:

- With deficits and costs increasing in recent years, the LGPS had changed from a final salary scheme to a career average scheme, with cost of living increases to pensions in payment and deferred pensions related to Consumer Prices Index (CPI) rather than Retail Prices Index (RPI);
- The actuarial assumptions applicable to the College’s WYPF members were affected by the life expectancy assumptions applicable to the College’s female support staff;
- The College did not consider that it would be cost-effective to challenge the actuarial assumptions;
- A change in the discount rate would affect the deficit;
- The WYPF triennial valuation report was expected in Mar. 2017, which would fix employer contributions for the next 3 years.

The Committee considered monies on deposit and agreed that the Director of Finance should increase the counterparty deposit limit in the Financial Regulations for presentation to the Board of Governors, noting that, due to the construction of the new build at Blenheim Walk, the College expected to have no monies on deposit by the end of 2018.

**Action: Director of Finance**

Mr Newall reported that preparation before the audit had been good and thanked finance staff for their co-operation during the audit.

The Committee received KPMG’s Audit Highlights Memorandum and Management Letter for the year ended 31st July 2016, noting that it would be presented to the Board of Governors as an appendix to the Committee’s annual report.
PART V - External audit matters II: items for recommendation

9. **External auditors’ representation letter.** The Audit Committee considered the letter of representation to the external auditors, noting that the wording in the letter reflected amendments agreed with KPMG in Nov. 2015.

It was noted in response to members' questions concerning the second bullet-point on the final page of the letter that confirmation being given by the Board of Governors in relation to 'cash credit balances' being 'offset against the loan' was a reference to a loan taken out with Lloyds Bank in 2007, the terms of which had been favourable to the College.

The Committee agreed to recommend to the Board of Governors that the letter of representation to the external auditors, KPMG, should be signed: proposed Dr Reid, seconded Mr Bagley.

Action: Chair

PART VI - Annual reports I: items for consideration &/or decision

10. **Annual report against the HE Code of Governance & Statement of Primary Responsibilities.** The Clerk reported that the June 2015 meeting of Board of Governors had adopted the Committee of University Chairs (CUC's) *Higher Education Code of Governance* (2014) (the *Code*) from 1st Aug. 2015. Interim reports on performance against the new *Code* and the *Statement of Primary Responsibilities* (the *Statement*) had been presented to the Audit Committee's Apr. and June 2016 meetings.

The Committee considered the final version of the draft report against the *Code*. It was noted in response to members' questions that the CUC *Code* was a form of self-regulation designed to identify the key values and practices on which effective HE governance was based, premised on an 'apply or explain' basis i.e. with an explanation given where a governing body considered a whole primary element or supporting ‘must’ statement inappropriate. The draft report against the *Code* was detailed i.e. it also included reports against ‘should’ statements (illustrating the activities that are normally conducted in order to achieve the ‘musts’ outlined under each primary element) and against illustrative practice examples, which were not subject to the ‘apply or explain’ principle.

It was noted, in response to members' questions concerning the illustrative practice examples relating to the ways in which governing bodies obtained assurance that student complaints were effectively addressed, that:

- The draft report against the *Code* noted that reports on student complaints were discussed in the Academic Board minutes, which were presented to the Board of Governors for information;
- In addition to any College appeal, HE students could appeal to the Open University (OU), concerning OU validated awards undertaken before the award of TDAP, and/or to the Office of the Independent Adjudicator (OIA);
- The Principal confirmed that the College received few student complaints or appeals annually;
- The most recent OIA report considered by the Academic Board had confirmed that no complaints had been received by the OIA from students at the College in the last 3 years;
- Where student appeals were received, they were dealt with by the College in a timely manner;
- The 2015/16 report on the student academic experience, student outcomes, and academic awards (which would be presented to the Board of Governors' meeting to be...
held on 23rd Nov 2016) included assurances on the College’s processes for handling student complaints and appeals.

It was noted that the Principal would further highlight any discussion of student complaints and appeals in her summary report accompanying the Academic Board minutes and agreed that a presentation on the College’s processes for student complaints and appeals should be considered as part of a future Governor training session.

**Action Clerk/Search & Nominations Committee**

The Committee noted that the report on Primary Elements 1-4 and 6-7 of the Code indicated that the College had applied the Primary Elements (i.e. that it met or exceeded the requirements of the supporting ‘must’ statements that prescribed essential components within the element), with Primary Element 5 shown in the report applying to the College only in part (as the College currently had no external activities with significant potential financial or reputational risk). It was noted that the responsibilities in the Statement had also been applied.

The Committee approved the 2015/16 report against the Higher Education Code of Governance and the Statement of Primary Responsibilities, noting that the report would be placed on the College website in accordance with the Board of Governors’ policy on transparency: proposed Dr Reid, seconded Mr Bagley.

**Action: Clerk**

11. **Annual Data Quality report.** The Director of Finance presented the College’s annual Data Quality report 2015/16, which was considered.

The Committee noted that HEFCE’s Memorandum of Assurance & Accountability between HEFCE and Institutions (July 2016/12) required the Audit Committee to give, as part of its annual opinion, a statement on the adequacy and effectiveness of the College’s arrangements for the “management and quality assurance of data submitted to HESA (Higher Education Statistics Agency), the Student Loans Company, HEFCE and other bodies”. The College’s annual Data Quality report contributed towards this opinion.

Members noted in discussion:

- The College’s Data Quality Report 2015/16 had been prepared by summarising the steps that the College had taken to assure itself of data quality;
- Each staff member with responsibility for a return, signed a data self-assessment questionnaire which were presented to the College’s senior management team (SMT) as part of the review which led to the compilation of the College’s annual Data Quality Report;
- All deadlines for Higher Education Statistics Agency (HESA) and HEFCE returns had been met;
- There were no outstanding queries relating to data submitted to HESA or HEFCE;
- Appropriate staff training had been given e.g. following changes in personnel;
- No external review had been undertaken by HEFCE in 2015/16;
- The internal auditors undertook an assurance review of the Transparent Approach to Costing (TRAC) process, as part of the 2015/16 audit, which provided substantial assurance with no recommendations being made;
- The external auditors had considered student data as part of their 2015/16 audit work, with no material concerns being noted;
- The College, as a small HEI, ensured, as far as possible, that there was appropriate staff cover and processes to mitigate any risk relating to system failure arising from the absence of a key member of staff.
The Committee received the College's 2015/16 Data Quality report, noting that there were no material concerns regarding data quality which the College's SMT wish to draw to the attention of the Committee.

12. **Draft annual assurance return to HEFCE.** The Committee noted that HE institutions (HEIs) were required to submit an annual assurance return to the Higher Education Funding Council for England (HEFCE). Members noted that the return was in 3 parts:

- The purpose of Part 1 of the return was to confirm that the College had met its obligations under the *Memorandum of Assurance and Accountability* with HEFCE;
- The purpose of Part 3 of the return was to confirm that the College was complying with its duties as an exempt charity, thus enabling HEFCE to fulfil its responsibility as the College’s principal regulator;
- For 2015/16, HEFCE had introduced a new Part 2 to the return in which the Board of Governors was required to provide assurances concerning the student academic experience, student outcomes, and academic awards.

The Committee noted that the final version of the return to be presented to the Board of Governors would show positive assurances at Part 1 (as noted on the draft return considered by the Committee) and at Part 3, and that these formed part of the assurances from the College considered by the Audit Committee annually.

Members noted, with reference to the final version of the return, that:

- Part 1 would be signed by the Principal as Accountable Officer;
- Part 2 would be signed by the Principal as a member of the Board of Governors following receipt and review by the Board of Governors of a report on the student academic experience, student outcomes, and academic awards at the Board of Governors' meeting to be held on 23rd Nov 2016;
- Part 3 would be signed by the Principal as a member of the Board of Governors and a trustee of the charity.

The Committee considered the draft 2015/16 Annual Assurance Return to HEFCE, noting that it would be presented for approval by the Board of Governors at its meeting on 23rd Nov. 2016 for submission to HEFCE.

### PART VII - Committee matters: items for approval &/or recommendation

13. **Audit Committee Annual Report.** The Committee considered the final draft of the Audit Committee's annual report, noting that the amendments agreed at the Oct. 2016 meeting of the Committee had been included in the draft, which had also been updated to refer to actions to be completed at the Committee's Nov. 2016 meeting. It was noted that the report included an overall positive opinion.

The Committee approved the final version of the Audit Committee's 2015/16 report for submission to the Board of Governors and to HEFCE: proposed Dr Reid, seconded Mr Bagley. **Action: Chair**

14. **Recommendation on compliance with TRAC Statement of Requirements.** The Committee noted that HE institutions (HEIs) reported to the Higher Education Funding Council for England (HEFCE) on the costs of their activities under the Transparent Approach to Costing (TRAC) system. It was noted that HEFCE required the TRAC process and results to be subject to review and approval by a committee of the Board of Governors to confirm compliance with TRAC requirements i.e. in the College's case, the relevant committee was the Audit Committee.

Members noted that, under HEFCE’s current guidance, the option of approval by a
management committee (i.e. the senior management team), with subsequent presentation to the Audit Committee, had been removed with reference to the return due for submission in Jan. 2017 and that options available in relation to confirmation of compliance with TRAC requirements now included:

- Approval at an Audit Committee meeting held before the 31st Jan. 2017 TRAC submission deadline; or
- Where the Audit Committee would not normally meet before 31st Jan. 2017, approval under Chair’s action by the Chair of the Audit Committee’s before 31st Jan. 2017, with the Statement of Requirements presented to the Mar. 2017 meeting of the Audit Committee.

The Audit Committee agreed to recommend to the Board of Governors that confirmation of compliance with TRAC requirements should be given under Chair’s action by the Chair of the Audit Committee with reference to the 2015/16 TRAC return to be made to HEFCE by 31st Jan. 2017, with the Statement of Requirements presented to the Mar. 2017 meeting of the Audit Committee: proposed Dr Reid, seconded Mr Bagley.

Action: Chair

PART VIII - Items for information

15. HEFCE’s annual accountability returns schedule. The Committee received the document outlining HEFCE’s timetable for annual accountability returns in 2016/17.

PART IX - Final matters

16. Any other urgent items of business. It was noted that there was no other business not already on the agenda.

17. Risk management. It was noted that no new items of risk had been identified at the meeting.

18. Date of next meeting. It was noted that the Committee was next scheduled to meet on Wed. 29th Mar. 2017 at 3.30pm

PART X - Reserved Matters - for decision

19. Exclusions. The Committee agreed that item 22 should be considered at the next item on the agenda. The Principal and the Director of Finance left the meeting.

22. Annual meeting of auditors without the presence of management. Mr McCulloch of internal auditors, TIAA, reported that preparation by auditees for the 2015/16 audit (which was TIAA’s first year as internal auditors) had been good, co-operation during the audit had been positive, and management responses had been agreed in a timely fashion.

Mr Newall of external auditors, KPMG, noted that the College was financially stable and reiterated that preparation for the audit and co-operation from staff during the audit had been good, stating also that Finance Department staff were knowledgeable and experienced and were keen to bring about improvement where required. Issues concerning increased competition in relation to HE student recruitment generally were discussed, with it being noted that recruitment to the College as a specialist HEI remained strong.

Members discussed capacity issues for the finance departments of small institutions (e.g. cover during key staff absence, and knowledge below Director of Finance level), noting that the College’s arrangements were considered to be appropriate for the size of the organisation. It was noted that co-operation between the Principal and the Director of Finance was professional.
The annual meeting of the Committee with the auditors without the presence of management was concluded.

Mr A Newall (Manager, KPMG LLP UK, External Auditors) and Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors) left the meeting. The Principal and the Director of Finance rejoined the meeting.

20. **Reserved Matters minutes.** The Committee confirmed the confidential Reserved Matters minutes of the meeting of the Committee held on 12\textsuperscript{th} October 2016: proposed Dr Reid, seconded Mr Bagley.

21. **Action table and matters arising from the minutes, not elsewhere on the agenda.** The Committee noted that all actions arising from the above minutes had been completed, including the actions relating to the production of the final version of the internal auditor’s performance checklist, which had been signed by the Chair at the current meeting. There were no other matters arising from the minutes.

The Committee completed its review of actions arising from the minutes.

22. **Annual meeting of auditors without the presence of management.** It was noted that the annual meeting had been held earlier on the agenda.
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee 
held on Wednesday 5th April 2017

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair),
Mr David Bagley (Independent Governor & Audit Committee member), Mr D Reid (Independent Governor & Audit Committee Vice-Chair), Mrs C Wright (Independent Governor & Audit Committee member).

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Ms C Partridge (Partner, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors), Professor Wonnacott (Principal)

1. Apologies for absence. There were no apologies for absence.

2. Declarations of interest. There were no declarations of interest.

PART I - Items for decision

3. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 9th November 2016 were confirmed: proposed Dr Reid, seconded Mr Finnigan.

4. Action table and matters arising from the minutes, not elsewhere on the agenda. The Committee considered the action table attached to the above minutes, noting that all matters had been completed, with the following exception: consideration on including a presentation on the College’s processes for student complaints and appeals as part of the 2017/18 Governor training session, which would be considered by the Search & Nominations Committee in June 2017.

   ACTION: Clerk

   It was noted, with reference to matters arising from the minutes, that the employer contribution relating to the West Yorkshire Pension Fund (WYPF) would increase to 14.3% from April 2017 following the triennial valuation.

   The Committee completed its review of actions arising from the minutes.

PART II - Risk management: items for consideration

5. Risk register. It was agreed that this item should be considered later on the agenda i.e. following of the College’s risk management policy.
PART III - Internal audit matters: items for consideration

6. **Internal audit: progress & implementation plan.** The Committee noted that it had reviewed the implementation plan of internal auditors' recommendations at its Oct. 2016 meeting, noting that all recommendations had been completed.

7. **Internal audit: Block 1 reports.** The Committee considered the Block 1 reports arising from the 2016/17 internal audit, which were presented by Mr McCulloch of internal auditors, TIAA Ltd.

(i) **Payroll**
Members noted that the overall assessment level arising from the above report was Substantial Assurance and that there were three grade 3 (routine) recommendations arising from the review i.e. relating to the development of payroll procedures to ensure that the Payroll Officer's duties could be covered should the Payroll Officer be absent, authorisation for the release of the final payroll file to be provided by the Head of Human Resources (HR), invoices submitted by the external provider for payroll services to be subject to periodic reconciliation that could be evidenced.

Members discussed the internal auditors' suggestion that there should be a review of the use of the external provider to confirm best service and value, with the Director of Finance reporting that the current contract was considered to offer value for money but that this could be benchmarked using information provided by BUFDG (British Universities Finance Directors Group), when available.

**ACTION: Director of Finance**

(ii) **Risk mitigation**
Members noted that the overall assessment level arising from the above report was Substantial Assurance and that there were no recommendations arising from the review. It was noted in discussion that appropriate mitigating controls had been identified by the College for the 3 risks selected for review, evidence was readily available to demonstrate that the controls identified were operating for the risks selected, and that the level of detail provided in the College's risk register was appropriate.

(iii) **Application of the CUC Code of Governance**
Members noted that the overall assessment level arising from the above report was Substantial Assurance and that there were no recommendations arising from the review. It was noted in discussion that the level of detail in the annual report against the Code and Statement of Primary Responsibilities was considered to be appropriate. The auditors were happy with the Clerk's proposal that as Annex E (Exempt Charities) to HEFCE’s Memorandum of Assurance & Accountability (July 2016/12) required the College’s full audited consolidated financial statements for at least 5 years to be made available on the College website, it was appropriate for the reports against the Code for the corresponding years to also be made available on the website, with the financial statements for 2010-11 removed.

**ACTION: Clerk**

(iv) **Follow Up review**
Members noted that the report recorded that all recommendations arising from the 2015/16 internal audit had been implemented by the College.

The Committee received the Block 1 internal audit reports, congratulating staff on the outcome of the reviews undertaken.

The Committee thanked Mr McCulloch for the above reports.
PART IV - External audit matters: item for recommendation

8. Annual external audit planning memorandum. Ms Partridge of external auditors, KPMG, presented the audit planning memorandum for the audit for the financial year ending 31st July 2017. It was noted that, under the Committee's standing agenda item list, the memorandum was normally presented to the Committee's June meeting but had been brought forward in KPMG’s schedule of work.

Ms Partridge reported that: the document described KPMG's overall strategy and scoping, its approach to materiality and identified the significant risks and areas of focus to be addressed by the audit; the audit's main purpose was to issue a report which expressed KPMG's opinion on whether the financial statements gave a true and fair view of the state of the affairs of the College as at 31st July 2017, whether they had been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (GAAP) and with the Statement of Recommended Practice (SORP) - Accounting for Further and Higher Education, and met the requirements of HEFCE’s accounts direction to higher education institutions for the 2016/17 financial statements.

Members noted that:

- Significant risks and key areas of focus for the audit would be capital accounting of transactions related to the building project, revenue recognition (including fraud risk), and the risk of management override of controls (with the last 2 areas mandatory under the Accounting Standards);
- Other areas of focus would be the College's overall financial position and going concern (including review of student recruitment), pensions (including the triennial review), and use of funds/regularity;
- Materiality had been set at £300k, which was consistent with the prior year, and KPMG would also report on all individual errors in excess of £15k;
- The approach and timetable for the review were similar to previous years, with a single audit visit in Sept;
- Proposed fees for the external audit, plus the Teacher’s Pension Scheme (TPS) certificate return, would be £15,700, which included an inflationary increase but was lower overall that the cost of the 2016 audit (which at £16,400 had included a one-off cost of £2,000 for work relating to the introduction of Financial Reporting Standard (FRS) 102).

It was noted that a typographical error in the fees heading on page 19 of the memorandum would be corrected in the final version i.e. to read '2016/17' rather than '2015/16'.

**ACTION: KPMG**

Members discussed the memorandum, noting, with reference to the materiality level, that despite an increase in the College's income, this had been retained at £300k, as the risks facing the HE sector generally had increased.

It was noted in response to members' questions that:

- KPMG used a concurring partner system for higher education institutions (HEIs) which were considered to be higher risk institutions but that the College did not fall into this category;
- Following the introduction of FRS 102 and the new SORP in the previous year, no significant change in accounting standards would be expected in the next 4 years;
- The capital expenditure audit would review the College’s progress in delivering its capital projects in the context of its project management arrangements;
- Tangible fixed assets had been reviewed as part of the 2015/16 external audit;
- With reference to the building project, £8 million, currently on deposit, would be
available to the College at the end of the 2016/17 financial year but would not be spent until the 2017/18 financial year;

- The bank covenants arising from the revolving credit facility were (i) debt to total income to be less than 50% and (ii) the ratio of cashflow available for debt service to debt serving costs to be 1.2:1., which the Director of Finance did not to be onerous.

Members discussed the relationship of the external and internal auditors, noting that the former did not rely on the work of the latter but reviewed their work to inform the College’s risk rating. It was noted, with reference to risk, that the internal audit plan was linked to the College’s risk register. Members noted that the external auditors would comment if their knowledge of risk registers in the HE sector indicated that the College’s risk register did not include any area of significant sector risk. The increasing importance for institutions generally of risk related to cybercrime was noted in discussion.

The Committee agreed to recommend the external audit planning memorandum for the financial year ending 31st July 2017 to the Board of Governors for approval: proposed Mr Reid, seconded Mrs Wright.

*Action: Chair*

14. **KPMG financial benchmarking report.** It was agreed that agenda item 14 should be considered at this point on the agenda.

The Committee considered KPMG’s financial benchmarking report for 2015/16, noting that the report showed the College’s position to be financially healthy and that it was making appropriate returns for investment. Members noted in discussion of the College’s staff costs to income being lower than the sector average that this was in part accounted for by the College also employing FE and part-time staff.

The Committee received KPMG’s financial benchmarking report.

15. **KPMG technical update report.** It was agreed that agenda item 15 should be considered at this point on the agenda.

The Committee considered the KPMG technical update report for Mar.2017, noting that it was intended that these should be published twice yearly. Members noted, in particular, KPMG’s ‘thought leadership’ report on ‘Connected Universities, connected cities’ and the update from KPMG’s Audit Committee Institute on the Audit Committee agenda.


The Committee thanked Ms Partridge for the above reports.

### PART V - Periodic policy review: items for recommendation

9. **Policy on using external auditors for non-audit services.** The Director of Finance, Ms Bailey, reported that the policy had last been approved in 2014, following extensive discussion, and no change was being recommended.

The Committee reviewed the attached policy the College’s Policy on using external auditors for non-audit services and agreed that no revision was required.

10. **Policy on Fraud, Bribery, Corruption and Irregularities.** The Director of Finance presented the revised policy, reporting that, when reviewing the policy, she had sought the advice of Mr Clements, Chair of the Board of Governors, who was a forensic auditor.
It was noted that HEFCE's Memorandum of Assurance and Accountability stated that 'In accordance with the HEI's own statutes and constitution, there should be effective arrangements for providing assurance to the governing body that the HE has a robust and comprehensive system of risk management, control and corporate governance. This should include the prevention and detection of corruption, fraud, bribery, and irregularities'.

It was suggested that the following should be considered by the Director of Finance for inclusion in the policy:

- A reference to attempted fraud;
- References to how public statements (both within and without the College) concerning how any fraud would be handled to ensure appropriate confidentiality, including the prevention of the 'tipping off' of those involved in any fraud, bribery, corruption or irregularity.

**ACTION: Director of Finance**

It was also noted that references to the Education Funding Agency (EFA) and/or Skills Funding Agency (SFA) would need to be updated, as the 2 agencies had merged to become the Education & Skills Funding Agency (ESFA) from 1 Apr. 2017.

**ACTION: Director of Finance**

It was noted in response to members' questions that: the College's social media policy already prohibited the discussion of confidential matters on social media; security issues in relation to the issuing of degree certificates had already been considered by the College e.g. ensuring the security of the transmission of data to third parties printing certificates.

It was noted in discussion that general information about fraud provided publicly (e.g. through the BUFDG) was useful to institutions. Issues relating to the improper use of research income, the improper use of premises, and intellectual property issues and the name of the institution were also discussed.

The Committee agreed that the College's revised Policy on Fraud, Bribery, Corruption and Irregularities should be amended as noted above and circulated to Audit Committee members by e-mail before presentation to the Board of Governors for consideration on approval.

**ACTION: Chair of the Audit Committee**

11. **Risk management policy.** The Director of Finance presented the College's draft revised Risk Management Policy, noting that it had been amended to clarify the purpose and format of the risk register.

Members discussed the format of strategic risk register generally, including risks where the score before and after controls was 25 (Red). The Director of Finance reported that, where such risks related to external factors, such as government policy, mitigation by the College could be limited, with government policy decisions, in particular, often made at short notice e.g. funding changes relating to the Foundation Diploma. It was noted that this meant putting in place mitigating controls in advance difficult, although the College could take action to manage the outcome of policy change. Ms Partridge of KPMG confirmed that the College's approach was in line with sector norms e.g. the level of detail in the risk register, representation and scoring of risk relating to government policy. It was noted that the College had previously considered allocation of a monetary value to risks but had not considered that appropriate, as not all risks had financial implications.

With reference to the revised policy, the need for values relating to Likelihood and Significance to relate to specified periods was discussed, with it being noted that risks were regularly reviewed and updated and/or removed from the strategic risk register following changed circumstances.
The addition of the phrase ‘the likelihood of an’ in section 2.3 of the revised policy was considered i.e. so that the relevant sentence would read ‘Risk is measured by considering both the severity of impact of an action or the likelihood of an event occurring that impacts the College’s ability to achieve a planned objective’.

**ACTION: Director of Finance**

The Committee approved the revised Risk Management Policy, amended as noted above, for recommendation to the Board of Governors for approval: proposed Mrs Wright, Mr Finnigan.

**ACTION: Chair of the Audit Committee**

5. **Risk register.** The Director of Finance presented the strategic risk register which had been reviewed and updated by the College’s senior management team (SMT), with members noting the following changes: a new risk (Risk 29) concerning completion of the College’s building project; the re-wording of Risk 27, with reference to the progress of Teaching Excellence Framework (TEF) and the HE Bill; minor re-wording of Risk 1 (Academic and Resources) e.g. to include a reference to student complaints. It was noted that the assessment of controls relating to risk 29 included regular review of the contractors’ detailed operational risk register.

It was noted in response to members’ questions that:

- With reference to Risk 29 that the building project was a traditional build, rather than a Design and Build project, but that the College had a procedure for agreeing variations;
- With reference to risk 16 (effective governance), the Search and Nominations Committee monitored Governor attendance;
- Consideration could be given to including reference to covenants relating to the loan facility at Risk 13, which related to financial strategy.

The Committee received the updated strategic risk register and agreed that, while it would not be appropriate for the Committee to review the operational risk register arising from the building project, the Director of Finance would draw to the Committee’s attention any significant (i.e. Red) risk, as appropriate.

**ACTION: Director of Finance**

**PART VI - Financial matters: items for consideration**

12. **Transparent Approach to Costing (TRAC) return.** Ms Bailey presented the Transparent Approach to Costing (TRAC) Statement of Requirements report. It was noted that HEFCE required the TRAC process and results to be subject to review and approval by a committee of the Board of Governors (e.g. the Audit Committee) to confirm compliance with TRAC requirements and to review tests of reasonableness, but that this could be delegated to the Committee Chair. The Board of Governors had agreed at its Nov. 2016 meeting that this responsibility should be delegated to the Chair of the Audit Committee, with the Statement of Requirements compliance presented to the next Audit Committee meeting.

Members noted that, before approval and submission of the TRAC return to HEFCE in Jan. 2017, the Chair of the Audit Committee had discussed the process for preparing the TRAC return and the tests of reasonableness with the Director of Finance, including a review of drivers of costs and internally funded research and movements since the last TRAC return.

The Committee received, for information, the TRAC Statement of Requirements.

(Ms Partridge left the meeting).
**PART VII - Governance matters: item for consideration & approval**

13. **HEFCE charity guidance checklist.** The Clerk reported that Annex E (Exempt Charities) to HEFCE's Accountability & Assurance Memorandum 2016/12 (Aug. 2016) set out HEFCE's main requirements relating to the annual and longer-term cyclical monitoring of HEIs that were exempt charities and which arose from HEFCE's role as principal regulator of HEIs as charities. Members noted that a draft HEFCE charity guidance checklist had been compiled and completed by the Clerk for review and approval by the Committee, noting that the checklist showed that the College was compliant with HEFCE's exempt charity monitoring requirements in 2015/16.

The Committee approved the HEFCE charity guidance checklist, noted the outcome of the review using the checklist with reference to 2015/16, and agreed that the checklist should be presented to the Audit Committee for review annually at its Nov. meeting.

*ACTION: Clerk*

**PART VIII - Documents for information**

14. **KPMG financial benchmarking report.** It was noted that the above report had been considered earlier on the agenda.

15. **KPMG technical update report.** It was noted that the above report had been considered earlier on the agenda.

16. **Report on KPMG Audit Institute seminar (Nov. 2016).** The Chair of the Audit Committee, Mr Finnigan, reported that he had attended a KPMG Audit Institute Higher Education seminar on 16th Nov. 2017 entitled 'New Directions for Quality Assurance', with the focus of the seminar being on the implications of the recent White Paper, HEFCE's new Annual Provider Review (APR) process and the consequent role of Audit Committee.

It was noted, with reference to HEFCE's requirement from autumn 2016 that Governors should provide assurances on continuous improvement of the student academic experience and student outcomes, it had been suggested that Audit Committees would need to consider inclusion of APR verification within their internal audit plan.

The Committee received a memorandum from Mr Finnigan summarising key issues arising from the KPMG Audit Institute Higher Education seminar held on 16th Nov. 2017.

**PART IX - Final matters**

17. **Any other urgent items of business.** There was no other business not already on the agenda.

18. **Risk management.** It was noted that no new items of risk had been identified at the meeting.

19. **Date of next meeting.** It was noted that the Committee was next scheduled to meet on Wed. 7th June 2017 at 3.30pm.

It was noted, with reference to the draft schedule of meetings for 2017/18, that Mr Reid would be unavailable between 13th to 29th March 2018, noting that the draft schedule showed Board of Governors' and Audit Committee meetings on 21 March 2018. It was agreed that the Clerk would review the 2017/18 schedule.

*ACTION: Clerk*
PART VII - Reserved Matters - for decision

20. **Exclusions.** Mr McCulloch of TIAA Ltd left the meeting before the Committee considered Reserved Matters items.

21. **Reserved matters minutes.** It was noted that there were no confidential Reserved Matters minutes arising from the meeting held on 9th Nov. 2016.

22. **External auditor’s performance checklist.** The Committee reviewed the 2015/16 checklist, noting a positive overall performance, and agreeing that the following amendments should be made to the draft completed checklist:
   - With reference to question A1, that recent litigation cases involving KPMG were not considered relevant to their work for the College and that the answer at A1 should reflect this judgement;
   - At question B1, reference should be made to KPMG’s quality processes, which were referred to in Appendix 6 of KPMG’s annual external audit planning memorandum;
   - With reference to question D6, that the answer should be positive as evidence from meetings indicated that the external and internal auditors had an appropriate working relationship and that there was no inappropriate duplication of work.

**ACTION:** Clerk

The Committee approved the external auditors’ 2015/16 performance checklist, with the above amendments, and agreed that the amended version should be signed by the Chair of the Committee: proposed Mr Bagley, seconded Mr Reid.

**ACTION:** Chair of the Audit Committee
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee
held on Wednesday 7th June 2017

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair), Mr D Reid (Independent Governor & Audit Committee Vice-Chair), Mrs C Wright (Independent Governor & Audit Committee member).

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Ms C Partridge (Partner, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors), Professor Wonnacott (Principal)

1. Apologies for absence. Apologies for absence were received from Mr David Bagley (Independent Governor & Audit Committee member).

2. Declarations of interest. There were no declarations of any personal or pecuniary interest in any items on the agenda.

PART I - Items for decision

3. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 5th April 2017, including the Reserved Business minutes, were approved with the following amendments: at item 9, ‘lasted’ in the first sentence should read ‘last’; at item 19, the reference in the second paragraph should be to Mr Reid rather than Mr Bagley: proposed Mrs Wright, seconded Mr Reid.

Action: Clerk

(Prof. Wonnacott and Ms Bailey joined the meeting).

4. Action table and matters arising from the minutes, not elsewhere on the agenda. The Committee noted that all actions had been completed with the following exceptions:
   - A query concerning the Committee’s spring term meeting date, which would be considered later on the agenda;
   - An action relating to the signing of the external auditors performance checklist, which the Chair had completed before the meeting.

It was agreed that action 6 should be amended i.e. the reference should be to Mr Reid rather than Mr Bagley.

Action: Clerk

There were no other matters arising.
PART II - Risk management: items for consideration

5. Risk register. The Director of Finance, Ms Bailey, reported that the College’s senior management team (SMT) had reviewed the strategic risk register in May 2017, noting that, at that stage, there had been little change in the external environment and no significant changes in the internal environment. The Committee noted that the outcome of the forthcoming General Election might, however, have implications for strategic risk, which the College would consider, as appropriate.

Members discussed the descriptors for scoring ‘likelihood’ (e.g. with 4 being ‘very likely’ and 5 being ‘certain’), with reference to Risk 2 (external/political), where the likelihood score before and after controls was 5. The Committee considered whether a risk could ever be considered ‘certain’ and agreed that ‘5’ should be changed to ‘highly likely’ when the College’s risk management policy was next reviewed.

Action: Director of Finance

The Committee received the strategic risk register.

6. HEFCE Annual Provider Review (APR) letter: final assessment. The Committee noted a positive outcome to the Higher Education Funding Council for England’s (HEFCE’s) Annual Provider Review (APR) final assessment for 2016/17, which had been sent to the College on 28th Apr. 2017 i.e. HEFCE’s letter stated that it considered that:

- with reference to financial sustainability, good management and governance matters, that the College was ‘not at higher risk’; and,
- with reference to quality and standards matters, that the College ‘met requirements’.

PART III - Internal audit matters: items for consideration

7. Implementation plan of auditors’ recommendations. The Committee received the College’s implementation plan of internal auditors’ recommendations, noting that all recommendations arising from the payroll arrangements review had been implemented.

8. Internal audit: Block 2 reports. Mr McCulloch, of the internal auditors, TIAA Ltd, presented the Block 2 reports i.e. reports arising from the following internal audit reviews:

- Estates (property compliance arrangements)
- Income & Debtors
- Student Retention & Intervention
- Student Records (data quality arrangements)

(i) Estates (property compliance arrangements)

Members noted that:

- The outcome of the review had been a grade of Reasonable Assurance;
- The review had considered how the College monitored and met its health and safety obligations in relation to its property estate, including cyclical testing in line with regulation and guidance, and how the monitoring arrangements provided assurance to senior management that effective practices were in place;
• Key findings included confirmation of the existence of a maintenance and engineering statutory compliance requirements spreadsheet, a programme of planned preventative maintenance, and certification and reports being held for the key compliance areas tested.

Members noted that 8 action points had arisen from the review (3 graded as important (grade 2), 4 as routine (grade 3), and 1 as operational (grade 4)), which had been accepted by management. It was noted in response to members’ questions that:

• Although the College no longer offered furniture making, wood-working equipment was still used (e.g. by Visual Communication and Fine Art for frames and plinths) and controls for the use and servicing of machinery in the metal and wood workshops would be strengthened as recommended;
• The process for the periodic review of portable electrical appliances would be enforced to identify potential hazards, including issuing reminders in health and safety and workshop training on the use of non-College owned irons;
• A pilot proposal form for a new health and safety software package would be submitted to the College’s IT & Infrastructure advisory group for approval in July 2017, which would consider effectiveness and value for money;
• The health and safety budget noted at the Detailed Findings section of the report, under the Materiality heading, did not include training or staff costs;
• Paragraph 10.8 of the Detailed Findings section of the report should be corrected to show that the College’s 2015/16 annual health and safety report had been presented to the Board of Governors in January 2017.

(ii) Income & Debtors
Members noted that:
• The outcome of the review had been a grade of Reasonable Assurance;
• The review had considered the management of income and debtors, including the identification of sources of income, invoicing, debtor management and write-off, including arrangements in place around Advanced Learner Loan Funding and fee payments;
• Key findings included the fact that debts outstanding from students and other organisations were regularly reviewed and appropriate action was taken;
• Outstanding debt was low;
• 2 action points, which had been accepted by management, had arisen from the review i.e.1 graded as important (grade 2), which related to finance office practices and which had already been implemented, and 1 graded as routine (grade 3), which related to ensuring that hours of DSA student support delivered and recorded had been correctly invoiced, with a reconciliation planned to take place at the end of the academic year.

(iii) Student Retention & Intervention
Members noted that:
• The outcome of the review had been a grade of Reasonable Assurance;
• The review had assessed the measures in place to support student retention and had considered how effective practice was identified, evaluated and disseminated, including the strategic approach to engagement, retention and success;
• Key findings included retention having emerged as a key strategic theme.
following the 2015/16 annual programme evaluations (APEs), supporting strategies employed that encouraged students to complete their course, and student success encouraged by means of retention related activities;

- 2 action points, which had been accepted by management, had arisen from the review i.e. 1 graded as important (grade 2), relating to the student concerns log, which had already been implemented, and 1 graded as routine (grade 3), concerning the evaluation of student engagement activities.

(iv) Student Records (data quality arrangements)

Members noted that:

- The outcome of the review had been a grade of Substantial Assurance;
- The review had concentrated on data quality as it was entered into the Agresso system and the processes in place to validate and review data to ensure it was accurate and meaningful;
- Key findings included appropriate practices being in place to ensure that the data obtained from applicants had been accurately recorded, a significant volume of checking exercises with clear segregation of duties to verify the marks awarded on course modules, all changes to student records sampled found to be supported by correctly completed and authorised documentation, sample testing undertaken confirmed the validity of data held in Module Assessment Records accorded with those held in Agresso and the Exam Board spreadsheet;
- No action points had arisen from the review.

The Committee noted the importance of the student records review as a source of assurance which would contribute towards its annual opinion on the adequacy and effectiveness of the College’s arrangements for the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company, HEFCE and other bodies.

The Committee received the internal audit Block 2 reports.

PART IV - external audit matters: items for consideration

9. External auditor independence: annual report on non-audit work undertaken by the external auditors. The Committee received the report, noting that the external auditors had undertaken no non-audit work in 2016/17 to date.

PART V - Committee matters: item for review, approval &/or recommendation

10. Annual review of Audit Committee standing agenda item list. The Committee approved it standing agenda item list for 2017/18, with the following amendments:

- The addition of the months of meetings to the headings;
- Presentation of the external audit plan and KPMG’s annual financial benchmarking report at the spring meeting;
- Presentation of the KPMG’s technical updates at the first autumn meeting and the spring meeting.

Action: Clerk

11. Annual review of Audit Committee terms of reference. The Committee reviewed its terms of reference, noting that the Clerk was recommending a minor typographical correction.

Members considered Committee membership, noting that there was an existing
vacancy for an external co-opted member or a full member of the Audit Committee who was also a member of the Board of Governors and that a further vacancy was due to arise from 11th July 2017, when Carolyn Wright's final term of office as an Independent Governor was due to end. The Clerk reported that the Search & Nominations Committee, which had met earlier on 7th June 2017, had agreed to recommend to the July 2017 Board meeting that Carolyn Wright's term of office as an Independent Governor and Audit Committee member should be extended by 6 months.

The Committee approved the updated Audit Committee terms of reference for recommendation to the Board of Governors: proposed Mr Reid, seconded Mrs Wright.

Action: Chair

12. **Audit Committee's terms of reference: annual compliance review.** The Audit Committee undertook its annual self-assessment against its terms of reference compliance checklist, agreeing that the following amendments should be made to the draft version:
   - On the first page of the checklist there should be a capital C before a);
   - The answer to statement g) (Assuring the Board of Governors about the adequacy and effectiveness of the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies) should be 'Yes' and Comments column should note that the Committee had reviewed the Student Records (data quality arrangements) internal audit report at its June 2017 meeting;

The Audit Committee completed its 2016/17 terms of reference compliance checklist and agreed that the checklist, amended as noted above, should be signed by the Chair: proposed Mr Reid, seconded Mrs Wright.

Action: Clerk/Chair

**PART VI - Final matters**

13. **Any other urgent items of business.** There was no other business no already on the agenda.

14. **Risk management.** It was noted that no new items of risk had been identified at the meeting.

15. **Dates of next year's meetings.** The Committee noted that the Board of Governors had agreed the following meeting schedule for the Committee for 2017/18: 11 Oct. and 15 Nov. 2017, 21 Mar. and 6 June 2018.

The Director of Finance reported that it had not been possible to move the Mar. 2018 meeting date, due to other College meetings. Mr Reid gave his apologies for the meeting on 21 Mar. 2018.

Action: Clerk

The schedule of Audit Committee meeting dates for 2017/18 was received.
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee
held on Wednesday 11th October 2017

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair),
Mr D Reid (Independent Governor & Audit Committee Vice-Chair), Mrs C Wright (Independent Governor & Audit Committee member).

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms J Hearnshaw (Secretary to the Vice-Chancellor), Mr A Newall (Manager, KPMG LLP UK, External Auditors), Mr T Norris (Audit Manager, TIAA Ltd, Internal Auditors), Professor Wonnacott (Vice-Chancellor).

1. Apologies for absence. There were apologies received from Mr Bagley (Audit Committee member), Ms Bailey (Pro-Vice-Chancellor Assurance & Director of Finance), and Mr McCulloch (TIAA Ltd).

2. Declarations of interest. There were no declarations of interest.

3. Election of Chair & Vice-Chair of the Audit Committee. Mr Finnigan was elected as Chair of the Audit Committee for 2017/18: proposed Mr Reid, seconded Mrs Wright. Mr Reid was elected as Vice-Chair of the Audit Committee for 2017/18: proposed Mr Finnigan, seconded Mrs Wright.

PART I - Items for decision

4. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 7th June 2017 were approved with the following amendment: Ms C Partridge had attended on behalf of KPMG: proposed Mr Reid, seconded Mr Finnigan.

Action: Clerk

5. Action table and matters arising from the minutes, not elsewhere on the agenda. The Committee considered the action table attached to the above minutes, noting that all actions had been completed or had a future completion date, with the following exception:
   • Approval of the compliance checklist, which would be considered later on the agenda.

The Committee completed its review of actions arising from the minutes. There were no other matter arising.

PART II - Risk management: items for consideration

6. Risk register. The Vice-Chancellor, Professor Wonnacott, reported that the University’s
senior management team (SMT) had reviewed the strategic risk register in Sept. 2017, resulting in minor changes to wording and the following risks being updated:

- Risk 2 (External/political) - the risk had been updated to note the current risks around funding and HE tuition fees;
- Risk 21 (Reputation) - the risk had been extended to include staff activities and to note in particular the emerging reputational sector risks regarding Vice-Chancellors' remuneration;
- Risk 29 (Strategic) - the risk rating for the new build had been amended as the completion timetable had been delayed by 7 weeks and the likelihood and overall risk ratings for this risk had therefore increased.

It was noted in response to members' questions concerning any risk relating to the Board of Governors' skills balance arising from the terms of office of 3 Governors with an educational background ending between July 2017 and February 2018, that the Search & Nominations Committee was actively searching for new Governors with appropriate skills and that it was currently expected that it would be possible to make a recommendation to the Board of Governors on new appointments by Jan. 2018. Any update would be given to the Audit Committee at its Nov. 2017 meeting.

Action: Clerk

The Committee received the strategic risk register.

**PART III - Internal audit matters: items for consideration**

7. **Internal audit: progress & implementation plan.** The Committee considered the University’s implementation plan of internal auditors' recommendations. The Vice-Chancellor reported that all recommendations had been completed with the following exceptions which were shown in the report as currently being implemented:

- A priority 2 (Important) recommendation arising from the Property Compliance Review concerning a review being undertaken of staff authorised to operate/supervise machinery in the workshops, which was shown as having a Sept. 2017 implementation date;
- A priority 3 (Routine) recommendation arising from the Assurance Review of the Income and Debtors Arrangements concerning the periodic reconciliation relating to Disabled Student Allowance student support records held by the Mentors and Tutors against those maintained by the Sales Ledger Clerk, which was shown as having an Oct. 2017 implementation date.

It was agreed that an update on the implementation of the above recommendations should be given at the Nov. 2017 Audit Committee meeting.

Action: Pro-Vice-Chancellor Assurance & Director of Finance

The Committee received the University's implementation plan of internal auditors' recommendations.

8. **Internal audit: Annual report.** Mr Norris of internal auditors, TIAA, presented the internal audit report for 2016/17, which was considered.

Members noted that the report stated that: TIAA is satisfied that for the areas reviewed during the year that Leeds College of Art has reasonable and effective risk management, control and governance processes in place. Also, there was evidence to support the College's achievement of value for money with regard to economy, efficiency or effectiveness of the systems reviewed. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an
opinion on all elements of the College’s risk management, control and governance processes or the ongoing financial viability which must be obtained by the College from its various sources of assurance’.

Members noted that 7 reviews had been undertaken during 2016/17, with 4 having received Substantial Assurance and 3 having received Reasonable Assurance, with 5 recommendations graded priority 2 (Important) and 9 graded priority 3 (Routine) arising from the reviews.

It was noted that all TIAA’s performance and quality assurance targets had been met or exceeded.

The Committee thanked TIAA for their work on the 2016/17 internal audit, commenting on the clarity of the annual report.

The Committee received the internal audit report for 2016/17, agreeing that it should be submitted to the Board of Governors and to HEFCE as an Annex to the Audit Committee’s Annual Report.

**Action:** Clerk

### PART IV - Internal audit matters: items for recommendation

#### 9. Annual internal audit strategy & plan

Mr Norris presented TIAA Ltd’s draft internal audit strategic and annual plan for 2017/18, which was considered.

The Committee noted that: the draft plan, which was risk-based, had been formulated following discussions with the Director of Finance; the rolling strategic internal audit plan was reviewed annually and some reviews had been deferred reflecting changes in circumstances and strategic priorities e.g. the Governance (Strategic Control) and the Student Records (Data Quality) reviews had been deferred to 2019/20; the overall planned days remained 24 days; the key contacts for the audit remained Mr P Harrison (Director) and Mr A McCulloch (Director of Audit).

Members considered the 2017/18 draft internal plan, noting that 7 reviews were planned, including a Quality Assurance review which had been scheduled for Apr. 2018.

The Committee noted in discussion that a Treasury Management review was scheduled for 2018/19 (i.e. after significant cash reserves would have been spent on the building project), with it being suggested that the Treasury Management review should be undertaken in 2017/18 and the Quality Assurance review undertaken in 2018/19. The Vice-Chancellor reported, in response to members’ questions concerning the timing of these reviews, that the latter had been scheduled for 2017/18 to provide additional assurance to the Board regarding academic quality matters.

The Audit Committee approved, in principle, the internal audit strategic & annual plan for 2017/18 for recommendation to the Board of Governors, subject to further discussion of the timing of Treasury Management review at the Audit Committee’s Nov. 2017, which the Pro-Vice-Chancellor Assurance and Director of Finance would attend.

**Action:** Pro-Vice-Chancellor Assurance & Director of Finance

### PART V - Other annual reports: items for consideration

#### 10. Value for Money

The Committee considered a report from the Clerk which noted that, under its standing agenda item list, the Audit Committee received a Value for Money (VFM) report annually which summarised the actions taken to achieve VFM in the previous year. Submission of a VFM report to HEFCE had been optional for HEIs until Dec. 2016, when it became part of the annual accountability returns submitted annually by 1 Dec. This requirement had now
been removed and in 2017/18 HEIs would instead have to submit an annual efficiency return in Jan. 2018. The Director of Finance had therefore not submitted a VFM report to the current meeting, pending receipt of guidance from HEFCE on the new efficiency return, which was due to be issued during Oct. 2017.

Action: Clerk

It was noted that it was intended that the new efficiency report would be a more targeted collection of data on efficiencies realised in the previous year, with HEFCE having stated that they still expected HEIs to consider internal VFM reporting as part of management and governance processes.

Members noted in discussion that the Committee was required to state in its annual report that, on the basis of the information presented to it, the Audit Committee was satisfied that reliance could be placed upon the adequacy and effectiveness of the University’s arrangements for economy, efficiency and effectiveness (VFM). It was noted that, in addition to the University's annual report, assurances on VFM issues were embedded in internal audit reports.

The Committee received a report on HEFCE's requirements in relation to VFM reporting, noting that the new efficiency report was due to be submitted to the Board of Governors and to HEFCE by 31 Jan. 2018.

Action: Pro-Vice-Chancellor Assurance & Director of Finance

11. Annual report on fraud, bribery, irregularity and whistleblowing events. The Committee received relevant extracts from the HEFCE Memorandum of Assurance & Accountability and an extract from the Committee of University Chairs (CUC) Handbook for members of Audit Committees in HEIs on the role of the Audit Committee in relation to fraud, mis-appropriation and whistle-blowing, together with the University's annual report on fraud, bribery, irregularity and whistleblowing events, noting that there had been no significant fraud, as defined in the Memorandum of Assurance & Accountability between HEFCE & institutions (July 2016/12) and (July 2017/08) and no bribery, irregularity or “whistle-blowing” events in 2016/17 or to the date of the current meeting.

It was noted that the report stated that representations from the Board of Governors to the financial statements auditors (regarding the design and implementation of internal controls to prevent and detect fraud and error and to bring to the attention of the auditors instances of fraud, suspected fraud and allegations of fraud) were made annually, together with details of written confirmation by senior post-holders that they were unaware of any material actual, suspected or alleged fraud. With reference to the Bribery Act 2010, the report noted the University's opinion was that the risk to the institution remained low during 2016/17 and to the date of the current report and that the institution has appropriate policies and procedures in place, including a Policy on Fraud, Bribery, Corruption & Irregularities (July 2014) and a Whistleblowing Policy (May 2016).

Members noted with reference to the CUC guidance that the Chair of the Audit Committee would expect to be notified of any relevant action taken under the University's fraud policy. It was noted, with reference to members' questions concerning the statement in the CUC guidance that 'staff at all levels (should) receive some training in fraud awareness relevant to their role', that Finance Department staff received specific training and that those other staff who handled money at a low level (e.g. for student consumables) received induction from the Finance Department. It was noted in response to members’ questions concerning fraud relating to third party invoices that: the University had appropriate procedures in place for dealing with invoices from suppliers on their approved supplier list and for setting up new suppliers; the University was not aware of any instances of its name being used fraudulently in relation to third party invoices.
The Committee received the University’s annual report on fraud, bribery, irregularity and whistleblowing events.

12. **Management representations.** The Clerk reported that the Committee received, at its Oct. meeting, annual management representations to provide members of the Board of Governors with the necessary information to make the required annual representations to the University’s external auditors.

The Committee received, for information, annual management representations from the Vice-Chancellor and the Pro-Vice-Chancellor Assurance & Director of Finance on breaches of laws and regulations, actual or suspected frauds, and the existence of related party transactions, noting that both had declared that they were not aware of any issues which should be brought to the Board of Governors’ attention.

**PART VI - External audit matters: items for consideration**

13. **External Auditor independence.** The Vice-Chancellor, Professor Wonnacott, reported, with reference to the conversion of the auditorium into a new art gallery, that it was proposed that KPMG undertake a feasibility study to assist the University in assessing whether it would be eligible to recover VAT under section 33A of the VAT Act, as the gallery would be open to the public. Members noted that, if the University were able to claim section 33A status, it was proposed that KPMG should also assist the University to determine and secure any amount of recoverable VAT on the conversion costs and the ongoing operating costs. It was estimated that KPMG’s fees would be in the region of £5,500 to £7,000 (excluding VAT).

Members noted that as KPMG were the University’s external auditors, the following sections of the University’s *Policy for Using External Auditors for Non-Audit Services* needed to be considered: ‘When engaging external auditors for non-audit work, the requirements of the Higher Education Funding Council for England’s (HEFCE’s) Audit Code of Practice will be taken into account i.e. that “HEIs may ask external auditors to provide additional services. The audit committee must agree all significant matters with a bearing on the auditor’s objectivity and independence. Additional work must not impair the independence of the external audit opinion” (section 19)’ and ‘Where the proposed fee for such services is below £5,000, approval for the project may be given by the Director of Finance in consultation with the Chair of the Audit Committee, with a report presented to the next scheduled Audit Committee meeting. Where the proposed fee is above £5,000 or the aggregate of such fees for the year would exceed £5,000, Audit Committee approval must be sought before the work is commenced’. It was noted that the expected fees for the work were therefore at the level where Audit Committee approval would be required.

The Committee considered whether the proposed work would compromise KPMG’s objectivity as external auditors, noting that the only work that KPMG did currently in addition to the external audit was work in relation to the Teachers’ Pension Scheme (TPS) contributions statement, fees for which were currently £750 p.a. Mr Newall of KPMG confirmed that strict boundaries were maintained in relation to work for the same organisation undertaken by different sections at KPMG, KPMG’s ethical standards were very high, and Ms Partridge, the Partner responsible for the external audit work undertaken at the University by KPMG LLP (UK), would have to give initial approval before the proposed work was finally approved.

It was noted in response to members’ questions that: the proposed additional work was below the OJEU (Official Journal of the European Union) and the University’s own tendering thresholds; section 33A was an accepted way for eligible institutions to reclaim VAT.

The Committee agreed that the appointment of KPMG to undertake the proposed VAT
recovery feasibility work would not compromise their independence as external auditors. The Committee therefore approved the appointment of KPMG for the non-audit services set out in the Pro-Vice-Chancellor assurance & Director of Finance's report to the Committee: proposed Mrs Wright, seconded Mr Reid.

**PART VIII - Documents for information**

### 14. HEFCE Memorandum of Assurance & Accountability

The Committee noted that the Higher Education Funding Council for England (HEFCE) had issued a revised *Memorandum of Assurance and Accountability between institutions and HEFCE (July 2017/08)* (the *Memorandum*) in July 2017. Members noted that the *Memorandum* was largely unchanged from the previous version, with the exception of some updating to reflect the evolving HE regulatory framework. It was noted that key changes were highlighted in KPMG’s Higher Education Sector Update (Oct. 2017), which would be considered at agenda item 14 e.g. changes to the financial commitment threshold requiring HEFCE approval, an extension to the Agreement on Institutional Designation ensuring accountability for public funds.

Members noted in discussion that the *Memorandum*, which included the Audit Code of Practice, clearly set out the relationship and relative responsibilities of HEFCE and HEIs. Members considered its value as a training aid, agreeing that it provided a useful induction for new Audit Committee members, that the Clerk should draw Governors’ attention to the fact that the new Memorandum was on eStudio, and that the Search & Nominations Committee should be asked to consider including an introduction to the Memorandum as part of a Governor training session.

**Action: Clerk**

The Committee received the *Memorandum of Assurance and Accountability between institutions and HEFCE (July 2017/08)*.

### 15. HEFCE Annual Accountability returns

The Committee noted that HEFCE’s 2017 Annual Accountability Returns schedule would be presented to the Nov. 2017 Audit Committee meeting.

**Action: Clerk**

### 16. CUC Illustrative Practice Note on Institutional Sustainability

The Clerk reported that the June 2015 meeting of the Board of Governors had agreed to adopt the Committee of University Chairs’ (CUC’s) *Higher Education Code of Governance (2014)*. Since issuing the Code, the CUC had issued a number of supporting Illustrative Practice Notes, with Note 4 being on Institutional Sustainability (May 2017).

The Committee considered the CUC’s Illustrative Practice Note on Institutional Sustainability, noting that it emphasised that monitoring sustainability required monitoring of all institutional activities and not just the institution’s financial position. Members noted that many of the strategic matters highlighted in the Note had been included in the University’s Strategic Plan and key performance indicators (KPIs) approved by the Board of Governors in June 2017. It was noted that the practical examples in the Note provided useful information on what other HEIs were doing in relation to sustainability.

Members noted in discussion that the Board of Governors had previously agreed not to make an optional annual sustainability assessment return to HEFCE. Members discussed whether it would be appropriate for the Board of Governors to re-visit this decision, given the importance of Governors receiving information on sustainability regardless of funding council requirements, and agreed that the matter should be considered further at the Committee’s Nov. 2017 meeting.

**Action: Clerk**
Members noted that the questions on pages 116 and 118 could provide a useful sustainability checklist for Governors.  

*Action: Clerk*

The Committee received the CUC’s Illustrative Practice Note 4 on Institutional Sustainability.

17. **TIAA Technical updates.** The Committee considered the TIAA Audit Committee Newsletter for July 2017 and TIAA’s Client Briefing Note on ICO Draft Guidance on How to Comply With the New General Data Protection Regulations (GDPR) regarding Consent (June 2017), noting, with reference to the latter, that the GDPR would come into force in May 2018. Mr Norris of TIAA drew attention to the sections of the GDPR briefing note which emphasised the need for organisations to be able to demonstrate compliance with the new regulations regarding consent for processing personal data, including the need for organisations to review and update existing procedures and policies to ensure compliance. Mr Norris reported that some of TIAA’s NHS clients were undertaking gap analyses with reference to the GDPR requirements and filtering relevant training down to staff.

It was noted in response to members’ questions that the University had set up a working group which would look at the implications of the GDPR for relevant areas of the University’s work (e.g. marketing, HR, student records) and any changes needed to the University’s systems to ensure that they were compliant. The Vice-Chancellor confirmed that a briefing on the GDPR would be given to Governors in Apr. 2018.  

*Action: Clerk/Vice-Chancellor*

The Committee received the TIAA Audit Committee Newsletter (July 2017) and TIAA’s Client Briefing Note on the GDPR (June 2017).

**KPMG Technical updates.** Mr Newall presented KPMG’s Higher Education Sector Update (Oct. 2017), noting that KPMG issued updates twice yearly. It was noted that the report included sections on: the introduction of a Teaching Excellence Framework (TEF) pilot at subject level; HEFCE’s new annual efficiency report requirement; HEFCE’s new *Memorandum of Assurance & Accountability*; government proposals concerning the future reporting of senior staff pay levels; the introduction from 30 Sept. 2017, through the Criminal Finances Act 2017, of a new corporate offence of failure to prevent the facilitation of tax evasion; the 2017-18 Accounts Direction; the implications of the GDPR; an Employer’s Pension Forum (EPF) report on the sustainability and suitability of pensions within the HE sector.

The Committee noted that changes in the new *Memorandum of Assurance & Accountability* included, from 1 Aug. 2017, an adjusted net operating cash flow (ANOC) measure which would be used as the basis for calculating institutions’ financial commitment thresholds i.e. with the threshold set at six times the average ANOC taken from the financial forecasts submitted by HEIs to HEFCE on 31 July. It was noted in discussion that, while this new measure of financial sustainability might be an issue for some HEIs, this should not be the case for the University, which had a history of strong financial performance.

It was noted in response to members’ questions with reference to the new corporate offence of failure to prevent the facilitation of tax evasion in relation to, for example, individuals who might be employed by the University through a company or consultancy, that the University did employ visiting lecturers but made clear to them their individual responsibility for any tax liability arising from their employment. It was noted in response to members’ questions that the Pro-Vice-Chancellor Assurance & Director of Finance had discussed the implications of IR35 (off payroll working through an intermediary) with the Head of Human Resources (HR).
The Committee noted, with reference to the section in KPMG’s Update on the Employer’s Pension Forum (EPF) report, the suggestion that there could be future debate concerning the fairness of the Teachers’ Pension Scheme (TPS) being only available to Post-1992 HEIs, given that it was an unfunded scheme i.e. the risks associated with benefit provision were effectively met by future tax payers. Members’ discussed possible risks arising for HEIs which currently enrolled teaching staff in the TPS should the scheme be made more widely available. Mr Newall reported that he was unaware of any current plans to vary the TPS membership criteria and that any risk was therefore unlikely to materialise in the short-term and that, in addition, any fundamental change to the TPS would be subject to consultation.

The Committee received KPMG’s Higher Education Sector Update (Oct. 2017).

PART VIII - Committee matters: items for approval

18. **Self-assessment checklist.** It was noted that the Committee assessed its performance and effectiveness annually using a checklist based on the model in the Committee of University Chairs (CUC) *Handbook for members of Audit Committees in HEIs*, with the addition of a compliance/document submission section documenting compliance with HEFCE’s accountability schedule. A checklist reviewing compliance against the Committee’ terms of reference had been reviewed at the Committee’s June 2017 meeting.

The Committee reviewed a pre-completed draft Audit Committee self-assessment checklist for 2016/17, agreeing the following amendments:

- At A.3, it should be noted that HEFCE’s value for money reporting requirements were under review, with a new efficiency report required to be submitted to HEFCE in Jan. 2018;
- At A.8, a comment should be added i.e. ‘The Chair of the Audit Committee has attended/will attend KPMG Audit Institute seminars in Nov. 2016 and Nov. 2017 and the Committee also receives helpful guidance from the internal and external auditors’;
- At C.2, the reference to the internal auditors should be to TIAA;
- At E.1, a comment should be added at bullet-points 5 and 6 i.e. ‘Assurance is given to the Committee through the internal audit reports’.

The Committee completed its review of its 2016/17 performance checklist and agreed that the final version, amended as noted above, should be returned to the Nov. 2017 meeting of the Audit Committee.

*Action: Clerk*

19. **Draft Audit Committee annual report.** Members considered the first draft of the Audit Committee’s annual report for 2016/17, agreeing minor typographical amendments and that the report should include a reference to being granted university title from August 2017.

Members discussed training undertaken by the Audit Committee noting, that while Mr Reid had attended a Leadership Foundation for Higher Education (LFHE) seminar for small and specialist institutions, this had been general in nature rather than related to the work of the Audit Committee.

The Committee completed its review of the draft Audit Committee annual report and agreed that a revised draft, amended as noted above, should be returned to the Nov. 2017 meeting of the Audit Committee.

*Action: Clerk*

PART IX - Final matters

17. **Any other urgent items of business.** There was no other business.
19. **Date of next meeting.** The Committee agreed that the time of the next meeting on the 15th November 2017 should be changed to 2.00pm.

*Action: Clerk*

Mrs Wright left the meeting.

**PART VII - Reserved Matters - for decision**

20. **Exclusions.** Mr Norris of TIAA Ltd and Mr A Newall of KPMG left the meeting before the Committee’s consideration of Reserved Matters agenda item 21 (Internal auditor’s performance checklist) by the Committee.
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee
held on Wednesday 15
th November 2017

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair), Mr D Reid (Independent Governor & Audit Committee Vice-Chair), Mr D Bagley (Independent Governor & Audit Committee member).

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms J Hearnshaw (Secretary to the Vice-Chancellor), Ms C Partridge (Partner, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors), Professor Wonnacott (Vice-Chancellor), Ms S Bailey (Pro-Vice-Chancellor (PVC) Assurance & Director of Finance).

1. Apologies for absence. Apologies were received from Mrs C Wright (Independent Governor & Audit Committee member).

The Chair of the Audit Committee, Mr John Finnigan, noted that Mrs Wright’s final term of office as an Independent Governor would end in January 2018 and thanked Mrs Wright, in her absence, for her contribution to the work of the Committee.

2. Declarations of interest. There were no declarations of interest.

PART I - Items for decision

3. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 11 th October 2017 were approved: proposed Mr Reid, seconded Mr Finnigan.

4. Action table and matters arising from the minutes, not elsewhere on the agenda. The Committee considered the action table attached to the above minutes, noting that all actions had been completed, would be considered at the meeting or had a future completion date.

It was noted with reference to members’ questions concerning the Higher Education Funding Council for England’s (HEFCE’s) Memorandum of Assurance and Accountability between institutions and HEFCE (July 2017/08) (the Memorandum of Assurance and Accountability) that: a hard copy had been included with the October 2017 Audit Committee papers; a PDF of the Memorandum was available on the Board of Governors’ section of eStudio and was also available on the HEFCE website at http://www.hefce.ac.uk/reg/MAA/; was included in the list of key documents given to new Governors at induction; the Audit Code of Practice included in the Memorandum of Assurance and Accountability would be particularly drawn to the attention of new Audit Committee members; an introduction to the Memorandum of Assurance and Accountability as part of a Governor training session would be considered by
the Search & Nominations Committee.

**Action: Clerk**

The Committee completed its review of actions arising from the minutes. There were no other matters arising.

5. **Amendment to minutes of 7th June 2017 meeting.** A minor typographical amendment to the minutes of the meeting of the Committee held on 7th June 2017 was approved: proposed Mr Reid, seconded Mr Finnigan.

### PART II - Risk management: items for consideration

6. **Risk register.** The Committee noted that the strategic risk register was presented termly and had been considered at the October 2017 Audit Committee meeting.

### PART III - Internal audit matters: items for information

7. **Implementation plan of internal auditors’ recommendations.** The Committee noted that an update from the PVC Assurance & Director of Finance, Ms Bailey, on the implementation plan had been included in the action table to the minutes of the Audit Committee meeting held on 11th October 2017, which had been considered earlier on the agenda at item 4: i.e. with reference to the final action from the property compliance arrangements review, that the authorised machine users’ record was now complete; with reference to the action concerning the reconciliation between the Disabled Student Support (DSA) records and invoicing arising from the Income & Debtor review, that reconciliation between work logs and the timesheets had commenced but no invoices had been raised to date, with the first reconciliation to invoices to be completed at the end of October/ start of November 2017.

### PART IV - External audit matters: items for consideration

8. **Members’ Report & Financial Statements for y.e 31.7.17.** Members noted that, under its terms of reference the Committee’s remit included: considering elements of the annual members’ report and financial statements in the presence of the external auditors, including the auditors’ formal opinion, the statement of members’ responsibilities and the statement of internal control, in accordance with the funding council’s accounts directions; and recommending the annual financial statements to the Board of Governors for approval.

The Pro-Vice-Chancellor (PVC) Assurance and Director of Finance, Ms Bailey, presented the Members’ Report & Financial Statements for year ended 31st July 2017, which were considered, with Ms Bailey highlighting the following areas:

- No adjustments had been required between the unaudited management accounts for the financial year ended 31st July 2017, which had been considered at the Board of Governors’ October 2017 meeting, and the financial statements under consideration;
- The operating surplus for the year was of £2.6 million (15% of total income) which was similar to the operating surplus for the previous year of £2.4 million (15% of total income);
- The increase in Home and EU students was the main reason for the increase in income which, together with growth in the number of overseas students, had accounted for over £1.1 million increase in turnover;
- Staff costs to income had risen mainly as a result of pension adjustments but, excluding the pension adjustment, staff costs to income was 51.8%, in line with sector averages;
- The Financial Reporting Standard (FRS)102 pension adjustment had increased when compared with the financial year ended 31st July 2016;
- Non-payroll costs had decreased mainly due to lower expenditure on routine and long
term maintenance i.e. costs were lower in anticipation of the significant refurbishment planned for 2018-2020 and the current high quality and standard of the infrastructure;

- The balance sheet was strong;
- There had been a reduction in pension liability;
- The University was continuing to generate strong operating cash flows, which were being invested in fixed assets.

The Committee noted the positive overall financial position detailed in the Members’ Report & Financial Statements for the year ended 31\textsuperscript{st} July 2017, noting in particular the strength of the balance sheet and strong cash flows.

The actuarial gain of £1.16 million recognised in the Statement of Other Comprehensive Income (OCI), which was recorded at Note 18 to the Accounts (Pensions and similar obligations) was noted and compared to an actuarial loss of £1.8 million in the previous year. It was noted in response to members’ questions that the actuarial gain in 2016/17 had arisen as a result of good interest rates and returns inflating assets.

With reference to members’ questions concerning whistleblowing, it was noted that: the University’s Whistleblowing Policy (May 2016) had been approved by the University’s senior management team (SMT) taking into account guidance issued by the Department for Business, Innovation & Skills in March 2015; a report recording that there was no significant fraud (as defined in the Memorandum of Assurance & Accountability between HEFCE & institutions), and no bribery, irregularity or ‘whistle-blowing’ events in 2016/17 had been made to the October 2017 meeting of the Committee and that the situation remained unchanged to date; under the University’s Policy on Fraud, Bribery, Corruption and Irregularities (June 2017), the Chair of the Audit Committee would be informed of any significant fraud.

The University’s Whistleblowing Policy was due for review in 2018 and would be presented to the Audit Committee at that time.

\textit{Action: Clerk}

It was agreed that the PVC Assurance and Director of Finance would produce a final draft version of the report that took into account a number of typographical amendments notified by the Chair and Vice-Chair of the Audit Committee e.g. removal of duplication in the Short term Employment Benefits and the Employment benefits sections of Note 1 to the Accounts.

\textit{Action: PVC Assurance & Director of Finance}

Members noted that the external auditors’ Audit Highlights Memorandum and Management Letter for the financial year ended 31\textsuperscript{st} July 2017, which would be considered as the next agenda item, recorded that KPMG anticipated issuing an unqualified audit opinion on the University’s Financial Statements.

The Committee agreed to recommend the Members’ Report & Financial Statements for the year ended 31\textsuperscript{st} July 2017 to the Board of Governors for approval and signing: proposed Mr Reid, and seconded Mr Bagley.

\textit{Action: Chair}

The Chair of the Audit Committee thanked those responsible for producing the Members’ Report & Financial Statements.

9. \textbf{External auditors’ Management Letter for y.e.31.7.17.} Ms Partridge of the external auditors, KPMG, presented the Audit Highlights Memorandum and Management Letter for the external audit for the year ended 31\textsuperscript{st} July 2017, which were discussed. Ms Partridge thanked the PVC Assurance & Director of Finance and the finance team for their co-operation in
relation to the audit. Ms Partridge reported in response to members’ questions that requests for information had been responded to by management in a timely manner.

The Committee noted that, following resolution of outstanding matters noted below, KPMG currently anticipated stating in their opinion on the financial statements that: they gave a true and fair view of the state of the affairs of the University as at 31st July 2017; had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (GAAP)(including FRS 102) and the FE HE SORP; in all material respects funds from whatever source administered by the University for specific purposes had been applied to those purposes and funds provided by HEFCE had been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and met the requirements of HEFCE’s accounts direction to HEIs for the 2016/17 financial statements.

Members noted that the following audit matters had been noted as outstanding in the management letter: receipt of third party confirmation of bank balances from the University’s bankers; the final consideration of Events after the Balance Sheet date; the final review of the updated Members’ Report 2016/17; and receipt of the signed management representation letter. Ms Partridge confirmed that the bank confirmation was still awaited and that the other outstanding items could be expected to be outstanding at this point in the audit process.

Ms Partridge drew members’ attention to the University's overall positive financial position, noting that there was nothing arising from the audit which would lead KPMG to conclude that the use of the going concern basis of accounting was inappropriate. Members noted that no significant adjustments had been made to the accounts following the audit and that there were no recommendations arising from the 2016/17 audit and that the recommendation arising from the 2015/16 audit had been implemented. With reference to significant risks considered as part of the audit, it was noted that no significant matters were noted as arising in the report from the auditors review of fraud from revenue recognition, capital expenditure (particularly in relation to the building project), or management override of controls.

Ms Partridge reported that KPMG's actuaries had: reviewed the actuarial valuation for the West Yorkshire Pension Fund (which was the pension scheme applicable to the University’s support staff); considered the disclosure implications and compared the actuarial valuation to KPMG’s internal benchmarks; reviewed the accounts to consider whether the pensions disclosures were appropriate and reviewed the accounting treatment for annual pension charges though the Statement of Comprehensive Income. The Committee noted that overall KPMG considered the assumptions adopted were within its benchmark range, producing a net liability that was within its benchmark range, although the Consumer Prices Index (CPI) assumption at 2.0% was, on its own, outside KPMG’s benchmark range.

Members discussed the pension discount rate used by the West Yorkshire Pension Fund (WYPF) actuaries, Aon Hewitt. The PVC Assurance & Director of Finance reported that at the close meeting the University had the option of challenging the actuarial assumptions but that the SMT's view was that this would not have constituted a good use of money, given that what was at issue was an accounting adjustment which related to a specific point in time. The Committee received the external auditors’ Audit Highlights Memorandum and Management Letter for the year ended 31st July 2017, noting that it would be presented to the Board of Governors as an appendix to the Committee’s annual report.

Action: Chair

The Chair of the Audit Committee thanked KPMG for the work undertaken during the audit and for their Audit Highlights memorandum and management letter, including the Appendices.
PART V - External audit matters II: items for recommendation

10. External auditors’ representation letter. The Audit Committee considered the annual letter of representation to the external auditors. Ms Partridge, of KPMG, confirmed that the wording of the letter was unchanged from the previous year, with the exception of the addition of two bullet points which were not relevant to the University.

It was agreed, in response to members’ questions, that the heading ‘Management’ on the second page of Appendix A to the letter appeared to have been misplaced and that Ms Partridge would investigate whether the previous sentence was therefore complete.

The Committee agreed, following clarification of the above issue by KPMG, to recommend the letter of representation to the external auditors, KPMG, to the Board of Governors: proposed Mr Bagley, seconded Mr Reid.

Action: KPMG

PART VI - Annual reports I: items for consideration

11. Annual Data Quality report. The PVC Assurance & Director of Finance presented the University’s Data Quality report 2016/17, which was considered.

The Committee noted that HEFCE’s Memorandum of Assurance & Accountability required the Audit Committee to give, as part of its annual opinion, a statement on the adequacy and effectiveness of the University’s arrangements for the “management and quality assurance of data submitted to Higher Education Statistics Agency (HESA), the Student Loans Company (SLC), HEFCE and other bodies”, with the University’s annual Data Quality report contributing towards this opinion.

Members noted that:

- The University’s Data Quality Report 2016/17 had been prepared by summarising the steps that the University had taken to assure itself of data quality;
- The University’s agreed approach to data quality assurance comprised 4 strands (a data return schedule, self-assessment questionnaires, detailed commissioned reports, any other assurances available in the current year);
- Each staff member with responsibility for a return, signed a data self-assessment questionnaire (which included details of training undertaken) which was presented to the University’s senior management team (SMT) as part of the review which led to the compilation of the University’s annual Data Quality Report;
- All deadlines for HESA and HEFCE returns had been met;
- The internal auditors had undertaken an assurance review of Student Records (data quality arrangements) as part of the 2016/17 internal audit plan, which had received Substantial Assurance, with no action points arising from the review;
- The external auditors had considered student data as part of their 2016/17 audit work, with no material concerns being noted.

It was noted in response to members’ questions that:

- There were no outstanding queries relating to data submitted to HESA or HEFCE and all deadlines for submission of data had been met.

Members noted in discussion that:

- HEFCE required the Audit Committee to provide, in the opinion in its annual report to the Board of Governors, a statement on the adequacy and effectiveness of the University’s arrangements for the ‘management and quality assurance of data’
submitted to HESA, SLC and to HEFCE and other bodies and did not, for example, require assurances from the Committee relating to the accuracy of the data so submitted;

- The data quality report submitted by the University provided assurances as to the robustness of the University's procedures and was a key source of assurance which contributed to the Committee's opinion on data quality management in the Committee's annual report to the Board of Governors.

The Committee noted that the University's Data Quality Report 2016/17 concluded that there are no material concerns regarding data quality which the senior management team (SMT) wished to draw to the attention of the Committee.

The Committee received the University's 2016/17 Data Quality report, noting that there were no material concerns regarding the management and quality assurance of data submitted to HESA, SLC and to HEFCE and other funding bodies which the University's SMT wished to draw to the attention of the Committee.

12. **Annual assurance return to HEFCE.** Members considered the format of the 2016/17 Assurance Return to HEFCE. Members noted that, as in the previous year, the return was in the following 3 parts:

- Part 1 of the return, which would be signed by the Vice-Chancellor as Accountable Officer, asked for confirmation that the University had met its obligations under the *Memorandum of Assurance and Accountability* with HEFCE;

- Part 2 to the return, which required the Board of Governors to provide assurances concerning the student academic experience, student outcomes, and academic awards, would be signed by the Vice-Chancellor as a member of the Board of Governors following receipt and review by the Board of Governors of the academic quality assurance report to be presented to the November 2017 Board of Governors meeting;

- Part 3 of the return, which would be signed by the Vice-Chancellor as a member of the Board of Governors and a trustee of the charity, required the Board of Governors to confirm that the University was complying with its duties as a charity, thus enabling HEFCE to fulfil its responsibility as the University's principal regulator.

Members noted, with reference to Part 2 of the return, that the Board of Governors was required to confirm that, for the 2016-17 academic year and up to the date of signing the return, the Board had received and discussed a report and accompanying action plan relating to the continuous improvement of the student academic experience and student outcomes, (which included evidence from the University's own periodic review processes which fully involved students and included embedded external peer or professional review) and that the methodologies used as a basis to improve the student academic experience and student outcomes were, to the best of the Board's knowledge, robust and appropriate. Providers with degree awarding powers were also required to confirm that the standards of awards had been appropriately set and maintained.

Members noted, with reference to Part 3 of the return, that the Members' Report and Financial Statements, considered at agenda item 8 above, noted that the University was an exempt charity and included a public benefit statement.

The Committee received a briefing note on the University’s Annual Assurance Return to HEFCE, noting that the completed return would be presented to the Board of Governors’ meeting to be held on 28th November 2017 for approval and signing.

*Action: Clerk*
13. **Annual report against the HE Code of Governance & Statement of Primary Responsibilities.** The Clerk reported that the Board of Governors had adopted the Committee of University Chairs (CUC's) *Higher Education Code of Governance* (2014) (the *Code*) from 1 August 2015. It was noted that since issuing the Code, the CUC had issued 4 supporting Illustrative Practice Notes (Note 1 (Remuneration Committees, Mar. 2015), Note 2 (Prevent Strategy, Nov. 2016), Note 3 (Academic Governance, Jan. 2017), Institutional Sustainability (May 2017)) which had been brought to Governors’ attention.

Members considered the year-end report against the *Code* and against the accompanying *Statement of Primary Responsibilities for 2016/17*. It was noted that the *Code* was premised on an ‘*apply or explain*’ basis (i.e. a governing body must explain where it considered a whole primary element or supporting ‘*must*’ statement inappropriate), with the ‘*should*’ statements (which illustrated the activities that would normally be conducted in order to achieve the ‘*musts*’ outlined under each primary element) and illustrative practice examples not subject to the ‘*apply or explain*’ principle.

The Committee noted that the table reporting on Primary Elements 1-4 and 6-7 of the *Code* indicated that the University had applied the Primary Elements (i.e. that it met or exceeded the requirements of the supporting ‘*must*’ statements that prescribed essential components within the element), with Primary Element 5 (concerning external activities with significant potential financial or reputational risk) shown in the report as applying to the University only in part. The Committee noted that the table reporting on the *Statement of Primary Responsibilities* indicated that the Board of Governors had applied the responsibilities in the *Statement*.

The Committee agreed the following amendments to the draft table:

- In the Comments column at 3.3 of the *Code* table (which was a ‘*must*’ statement concerning the need for the Board of Governors to assess all aspects of the University’s sustainability), it should be stated that Governors monitored sustainability using a broad range of key performance indicators including KPIs for academic, financial and environmental sustainability;
- In the Comments column at 3.c (illustrative practice example) of the *Code* table, the reference should be to ‘key’ stakeholders having been consulted;
- In the Comments column at 3.d (illustrative practice example) of the *Code* table, the reference should be to the BREEAM Very Good rating;
- On the cover sheet to the *Statement of Primary Responsibilities* table, both references should be to the Financial Statements and Members’ Report for the year ended 31st July 2017;
- In the Comments column at 1 of the *Statement of Primary Responsibilities* table, the reference should be to the new Strategic Plan 2017-2023, which had been approved at the June 2017 Board of Governors’ meeting.

**Action: Clerk**

With reference to the illustrative practice examples at 2.c (concerning the Board of Governors receiving assurance that the University’s publications provided accurate and honest information about its activities) and at 4.c (concerning the Board of Governors receiving assurance that honest, accurate and timely information was provided to students, stakeholders and the public about all aspects of academic provision), it was agreed that the PVC Assurance & Director of Finance should review whether this area was included in the current internal audit strategic plan and that she should also review whether public information accuracy should be included in the risk register.

**Action: PVC Assurance & Director of Finance**

With reference to statements in the Code illustrating the activities that should normally be conducted in order to achieve the ‘*musts*’ outlined under each primary element, the
statement at 6.2 concerning there being a strong business case for diversity at Board of Governors’ level was considered. Members noted that the table recorded that the Search & Nominations Committee would continue to seek to address any underrepresentation on the Board of Governors when searching for new Governors during 2017/18, noting that female representation on the Board was currently recorded as 47% (having been 50% between April and July 2017) while Black, Asian and Minority Ethnic (BAME) representation was, at just under 7% in 2016/17, lower than the 2015/16 percentage recorded for the University’s staff, undergraduate and FE students (i.e. 7%, 12% and 8% respectively).

Members noted that the statement on senior post-holder remuneration, in the Comments column at 3.15 of the Code table, reflected the decision taken in the previous year that a brief statement on senior post-holder remuneration reporting arrangements should be included in the Members’ Report and Financial Statements.

The Committee noted the illustrative practice examples which were shown in red text in the draft Code table (i.e. as not applicable to the University or not reflected in its current practice) and agreed that they should be kept under review.

**Action: Clerk**

The Committee approved the report for 2016/17 on performance against the HE Code of Governance & Statement of Primary Responsibilities, noting that the report formed part of the Board of Governors’ annual review of its own effectiveness, and agreeing that the full report, amended as agreed above, should be placed on the University website in accordance with the Board of Governors’ policy on transparency.

**Action: Clerk**

The Committee agreed that a summary version of the report against the Code and the report against the Statement of Primary Responsibilities should be presented to the Board of Governors’ November 2017 meeting.

**Action: Clerk**

14. **HEFCE charity guidance checklist.** The Clerk reported that a checklist designed to monitor compliance with HEFCE’s exempt charity monitoring requirements had been approved by the Committee at its April 2017 meeting, with the Committee noting that the institution had been compliant in 2015/16. With reference to monitoring in relation to 2016/17, as many of the sections of the checklist required a statement on compliance with the HEFCE’s 2017 annual accountability returns schedule, the Clerk was recommending that the Committee’s standing agenda item list should be amended to state that the checklist should be presented to the Committee’s spring meeting annually.

The Committee agreed the Committee’s standing agenda item list should be amended to state that the HEFCE charity guidance checklist should be presented to the Committee’s spring meeting annually, with the next presentation due in March 2018.

**Action: Clerk**

**PART VII - Committee matters: items for approval &/or recommendation**

15. **Audit Committee Annual Report.** Members considered the final draft of the Audit Committee report for 2016/17, which incorporated the amendments agreed at the October 2017 meeting of the Committee and had also been updated to refer to actions to be completed at the Committee’s current meeting.

The Committee agreed the following additional amendments to the report:
- The replacement of ‘College’ with ‘University’ throughout, as appropriate, to ensure consistency in reporting across the various year-end reports produced by the
University;

- At section 4, to note that Ms Bailey had not been in attendance at the October 2017 Audit Committee meeting;
- To amend the date on which the KPMG financial statements benchmarking 2015/16 and KPMG HEI Technical Update were presented to the Committee to ‘April 2017’.

It was also agreed that the Clerk should check whether the reference at section 10 (risk management) to ‘2014/15’ in relation to the HEFCE assessment of institutional risk issued in March 2016 was correct, amending this section if necessary.

Action: Clerk

The Committee noted that the report included an overall positive opinion i.e. that, reflecting the reports reviewed and assurances received during 2016/17 and to date, the Audit Committee was ‘satisfied that ‘reliance can be placed upon the adequacy and effectiveness of the University’s arrangements for:

- risk management, control and governance,
- economy, efficiency and effectiveness (value for money),
- The management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE and other bodies’.

The Committee approved the final version of the Audit Committee’s 2016/17 report, amended as noted above, for submission to the Board of Governors and to HEFCE: proposed Mr Reid, seconded Mr Bagley.

Action: Chair

16. Recommendation on compliance with TRAC Statement of Requirements. The Committee noted that HE institutions (HEIs) reported annually to the Higher Education Funding Council for England (HEFCE) on the costs of their activities under the Transparent Approach to Costing (TRAC) system, with HEFCE requiring the TRAC process and results to be subject to review and approval by a committee of the Board of Governors to confirm compliance with TRAC requirements.

Members noted that, in line with HEFCE Guidance, the November 2016 Board of Governors’ meeting had agreed, on the recommendation of the Audit Committee, that approval of the 2015/16 TRAC return in January 2017 should be provided by the Chair of the Audit Committee, with the statement of requirements being presented to the spring meeting of the Audit Committee. The Committee considered arrangements for 2017/18, with reference to section 2.1.5.18 of the TRAC Guidance for 2016-17 returns, noting that this was unchanged from the 2015-16 guidance (http://www.hefce.ac.uk/funding/finsustain/trac/).

The Audit Committee agreed to recommend to the Board of Governors that the TRAC approval process used in 2016/17 should become the Board of Governors’ established practice from 2017/18, until such time as HEFCE’s guidance changed: proposed Mr Reid, seconded Mr Bagley.

Action: Chair

PART VIII - Items for information

17. HEFCE’s annual accountability returns schedule. The Committee received, for information, HEFCE’s Annual Accountability Returns 2017 briefing note and schedule (http://www.hefce.ac.uk/pubs/year/2017/CL, 362017), noting that a value for money (VFM) report was now no longer required to be submitted to HEFCE (i.e. it was now an optional, internal report for HE institutions), and a new annual efficiency return was due to be submitted to HEFCE by 31st January 2018.
Action: PVC Assurance & Director of Finance

18. HEFCE guidance on the efficiency report. The Committee considered HEFCE's Annual efficiency return 2016-17 (October 2017/22) guidance relating to the return to be submitted to HEFCE by 31st January 2018, noting that the return had to be approved by the Vice-Chancellor, as Accountable Officer, and presented to the University's Board of Governors. Action: PVC Assurance & Director of Finance/Vice-Chancellor

Members noted that the guidance stated that HEIs must indicate in their annual efficiency return whether they had submitted a response to the 2016-17 Efficiency Measurement Model (EMM) survey run by the Higher Education Procurement Academy and, where such a return had been made, any EMM efficiencies should not be included in the HEFCE efficiency return. The Committee noted that the University submitted an EMM return.

It was noted in response to members' questions that HEFCE’s stated purpose in collecting the data was to allow it to report to Government on the efficiency of the HEFCE-funded higher education sector.

The Committee received, for information, HEFCE’s Annual efficiency return 2016-17 guidance.

Members also noted, in this context, the Leadership Foundation For Higher Education (LFHE) booklet Getting to Grips with Efficiency (Aug. 2017), which provided general guidance on the concept of efficiency and which had been issued shortly before the introduction of the HEFCE requirement for the submission of an annual efficiency return, noting that a PDF of the booklet was available on the Board of Governors' section of eStudio and at: https://www.lfhe.ac.uk/en/research-resources/publications-hub/index.cfm/G2GEfficiency.

19. Notification of HEFCE assurance review, Apr. 2018. The Clerk reported that, under HEFCE's Memorandum of Assurance & Accountability, higher education institutions (HEIs) were subject to an assurance review every 5 years. It was noted that HEFCE had last undertaken an assurance review at the University in April 2012 (i.e. shortly after the institution had transferred to the HE sector), with no recommendations arising from the resulting report.

The Committee noted that HEFCE had written to the Vice-Chancellor, on 4th October 2017, announcing that a one-day assurance review was due in 2018, with it being subsequently agreed that this should take place on Friday 27th April 2018. Members noted that a list of those whom HEFCE's Assurance Consultant would wish to meet during the visit included the Chair of the Board of Governors (who was also the Board of Governors' finance lead), the Chair of the Audit Committee, and the head of the internal audit service. It was noted that HEFCE had requested that copies of the Board of Governors' and Audit Committee minutes from the previous 12 months should be submitted to the assurance consultant a month before the visit. It was noted that the assurance consultant's discussions with the Chair of the Audit Committee and the Clerk would include a review of discussions and evidence leading to the final version of the Audit Committee's annual report.

The Committee received, for information, the letter from HEFCE announcing that a one-day assurance review would take place in 2018.

PART IX - Final matters

20. Any other urgent items of business. Members noted recent high profile media cases concerning sexual harassment and asked for assurance that the University had appropriate policies and procedures in place. The Vice-Chancellor reported that the University's Code of Conduct on Relationships had recently been reviewed and updated by the SMT and that
students received relevant briefings from the Student Welfare team. The Clerk reported that HEIs had recently received a Freedom of Information request from the media on this topic.

21. **Risk management.** The Committee noted that it had been agreed earlier on the agenda that the PVC Assurance & Director of Finance would review whether publications accuracy should be included in the risk register.

22. **Date of next meeting.** It was noted that the Committee was next scheduled to meet on Wednesday 21st March 2018 at 3.30pm.

*Action: Clerk*
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday 21st March 2018

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair), Professor P Cullen (Independent Governor & Audit Committee member), Mr D Bagley (Independent Governor & Audit Committee member).

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms J Hearnshaw (Secretary to the Vice-Chancellor), Mr A Newall (Manager, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors), Professor Wonnacott (Vice-Chancellor), Ms S Bailey (Pro-Vice-Chancellor (PVC) Assurance & Director of Finance).

1. **Apologies for absence.** Apologies were received from Dr D Reid Independent (Governor & Audit Committee Vice-Chair).

   The Chair welcomed Professor P Cullen to the Audit Committee, noting that she brought educational expertise to the Committee's skills mix.

2. **Declarations of interest.** There were no declarations of interest.

**PART I - Items for decision**

3. **Minutes of the previous meeting.** The minutes of the meeting of the Committee held on 15th November 2017 were approved with one amendment i.e. at minute 9 'worked' should read 'work': proposed Mr J Finnigan, seconded Mr D Bagley.

   **Action: Clerk**

4. **Action table and matters arising from the minutes, not elsewhere on the agenda.** The Committee considered the action table attached to the above minutes, noting that all actions had been completed, would be considered at the meeting or had a future completion date.

   Members noted that the Committee's standing agenda item list to be considered at its June 2018 meeting would reflect the fact that the Office for Students (OfS) had taken over from the Higher Education Funding Agency for England (HEFCE) as the University's principal regulator for charity law purposes.

   **Action: Clerk**

   The Committee completed its review of actions arising from the minutes. There were no other matters arising.

**PART II - Risk management: items for consideration**

5. **Risk register.** The Pro-Vice-Chancellor (PVC) Assurance & Director of Finance, Ms Bailey,
reported that the University’s senior management team (SMT) had reviewed the University’s strategic risk register in February 2018, resulting in the following 3 new risks being included:

- **Risk 30** - Failure to comply with the Criminal Finances Act (CFA) 2017, which was deemed a low risk, with controls in place including a fraud policy and a draft CFA policy (which would be considered later on the agenda), strong financial procedures, tax information and confirmations required for certain types of suppliers, and, with reference to the assessment of controls, there was a good understanding of the risks in the University’s Finance and Human Resources (HR) teams;

- **Risk 31** - Inadequate cyber security, which was deemed a medium risk, with controls in place including a staff computer use and security policy, regular security patches applied in a timely manner, staff and student password guidelines, and a JANET policy;

- **Risk 32** - Regulatory action taken in response to inaccurate information from the University in relation to its provision (e.g. from the Advertising Standards Agency (ASA), the Competition and Markets Authority (CMA) and/or the Office for Students (OfS)), which was considered a medium risk, with controls in place including the University having access to appropriate legal advice and guidance from its solicitors, procedures to ensure clarity about staff responsibility for accurate internal and external information, processes for the approval of key information, and clear terms and conditions which were reviewed annually.

The Committee discussed a recent cyber security incident affecting a Yorkshire university. The PVC Assurance & Director of Finance reported that she would consider the need to employ an external company to undertake penetration testing to gauge the University’s resilience against a cyber security attack.

**Action: PVC Assurance & Director of Finance**

Governors discussed whether Risk 16 (effective governance) should be shown as a low rather than a medium risk after controls, as the Board of Governors has a good skills mix and effective chairing. The PVC Assurance and Director of Finance reported that the score related primarily to decreased Governor attendance at training events and would be kept under review.

**Action: Clerk to the Corporation**

In response to members’ questions it was noted:

- With reference to Risk 31 (cyber security) that the University’s JANET policy covered student’s use of their own personal devices and that it was also included in the University’s IT induction for students;

- With reference to recent press reports on the re-tweeting of inaccurate information by individuals, that the University had a social media policy and only certain staff members, who had received training from the Head of Marketing, were authorised to tweet on behalf of the University;

The Vice-Chancellor, Professor Wonnacott, confirmed that she would check whether the University’s policy/procedure on social media included reference to re-tweets

**Action: Vice-Chancellor**

The PVC Assurance & Director of Finance confirmed in response to members’ questions:

- With reference to Risk 30, that the Risk rating and Net Risk Rating columns should be Green i.e. low risk;

- The University had a General Data Protection Regulations (GDPR) working group and the need to include any risk arising from the introduction of the GDPR from 25th May 2018 would be considered when the risk register was next reviewed.

**Action PVC Assurance & Director of Finance**
The Committee received the University's revised risk register, noting in particular the inclusion of new risks.

6. **HEFCE annual assessment of institutional risk.** The Pro-Vice-Chancellor Assurance & Director of Finance presented to the Committee HEFCE's annual assessment of institutional risk for the University, which was dated 7th February 2018. Members noted that HEFCE's financial summary statistics for the University 2014/15 - 2019/20 had also been sent to members, including the overall sector mean, first and third quartiles and median value for comparison.

The Committee received HEFCE's annual assessment of institutional risk, noting that, with reference to financial sustainability, good management and governance, HEFCE's categorisation was that the University was 'not at higher risk'.

**PART III - Internal audit matters: items for information**

7. **Internal Audit - Progress and implementation plan.** The PVC Assurance & Director of Finance presented an update on the implementation of internal audit recommendations. The Committee received the report, noting that all recommendations had been completed with the exception of one recommendation relating to the retention of service records for workshop machinery, which had been reinstated in the action plan following the recent internal audit Follow Up review. Members noted that the action was in progress and now had an implementation date of March 2018.

The Committee received the progress report on the implementation of internal audit recommendations.

8. **Internal audit: Block 1 reports.** Andrew McCulloch, TIAA presented the 2017/18 internal audit block 1 reports. It was noted that the Follow Up audit had been brought forward to Block 1 and the Prevent Duty audit would now take place in Block 2. The Committee considered the following reports arising from the reviews undertaken in Block 1.

(i) **Budgetary control**
Members noted that:
- The review had considered the processes in place for setting annual budgets, the way in which budgets were monitored throughout the year, how variances were highlighted and addressed, and the reporting processes to budget holders, senior managers and Governors
- The budgetary control review had resulted in an overall assurance assessment of substantial assurance, with no recommendations arising from the review;
- The University had a robust budgetary framework to support the delivery of a timely budget annually and monitoring of budgetary performance throughout the year, with the detailed level at which the Finance team worked considered to be exemplary.

(ii) **Project delivery development**
Members noted that:
- The review had been undertaken because the University's new build was a high profile development that might pose reputational as well as financial risk to the University if it was not managed effectively, with the review considering the arrangements for the ongoing contract monitoring for the new build development;
- The review had resulted in an overall assurance assessment of substantial assurance, with no recommendations arising from the review;
- TIAA's overall conclusion was that the development was being well managed by both the University and the consultants engaged, costs and progress were actively managed and reported at a suitably high-level, a well-progressed contingency plan was in place.
in the event that completion of the build should be delayed beyond the start of the 2018/19 academic year.

It was noted that an update on progress and costs to date in relation to the new build had been presented by the PVC Assurance & Director of Finance to the Board of Governors' meeting held earlier on 21st March 2018.

(iii) Cash and payment management
Members noted that:
- The review had considered the arrangements for the handling, processing, storage and banking of cash income that had been taken by the University from internal and external sources;
- The review had resulted in an overall assurance assessment of reasonable assurance, with 2 recommendations arising from the review, one of which had been graded important and one of which had been graded routine on a 4 grade scale of urgent/important/routine/operational;
- The overall conclusion of the report was that the arrangements for cash and card payment collection were appropriately directed with good segregation of duties.

In response to members' questions, the PVC Assurance & Director of Finance reported that:
- The cash payments referred to in the report related to the purchase of materials by students;
- Resource areas were regularly reminded by the Finance team of the insurance limit applying to cash holding;
- The Cash Handling Policy would be updated and the cash holding limit would be reviewed when the University's insurance policy was due for renewal in June 2018.

(iv) Follow up
Members noted that:
- Of 14 recommendations arising from internal audit reviews undertaken in 2016/17 which had been followed up, 13 had been noted as implemented;
- As discussed earlier on the agenda, one outstanding recommendation had been noted which related to the service records for workshop machinery;
- The University's Health and Safety Officer would address the above issue with workshop managers and implementation of the recommendation would be re-visited during the April 2018 Block 2 visit.

The Chair thanked staff involved in the reviews and TIAA for their reports.

The Committee received the 2017/18 internal audit Block 1 reports.

**PART IV - External audit matters: items for consideration**

9. Annual external audit planning memorandum. The Committee noted that KPMG’s external audit planning memorandum would be presented to the June 2018 meeting of the Audit Committee.
   *Action: KPMG*

**PART V - Policy review: items for recommendation**

10. Policy on criminal facilitation of tax evasion. The PVC Assurance & Director of Finance presented a draft Policy on Criminal Facilitation of Tax Evasion (the Policy) in response to the Criminal Finances Act 2017 (the Act) which had come into force on the 30th September 2017, making the University criminally liable if it failed to prevent tax evasion by either a member of
its staff or an external agent.

Members noted that:
- The draft Policy had been based on a pro-forma used by universities and complemented the University's existing Policy on Fraud, Bribery, Corruption & Irregularities;
- The draft Policy outlined the responsibilities of the University and of those working for it in observing and upholding the University's position on criminal facilitation of tax evasion and outlined the procedure for raising concerns within the University in relation to possible tax evasion;
- The Policy and the University's risk assessment were designed to protect the University from a reputational and financial perspective;
- The University's purchasing terms and conditions had also been amended to state that suppliers must comply with the Act.

It was noted in response to members’ questions that:
- With reference to controls, the University had the advantage of a more centralised payment system than many larger HE institutions;
- Visiting professionals were required to provide the University with relevant information on tax and employment status;
- With reference to Annex 1 to the draft policy (which provided examples as to what could be considered to constitute the facilitation of tax evasion in a university context), it was noted that insignificant private use of office equipment would not be considered a taxable benefit in kind.

A report on the implications of the Act for Governor liability would be provided, as requested.

**Action: Clerk**

The Audit Committee agreed to recommend the Policy on Criminal Facilitation of Tax Evasion to the Board of Governors for approval: proposed Professor P Cullen, seconded Mr D Bagley.

**Action: Chair, Audit Committee**

**PART VI - Financial matters: items for consideration**

11. **Transparent Approach to Costing (TRAC) return.** The PVC Assurance & Director of Finance presented to the Committee the TRAC Statement of Requirements. It was noted that, at its November 2017 meeting, the Board of Governors had delegated the responsibility for review and approval of the TRAC process and results to the Chair of the Audit Committee, with the Statement of Requirements being presented to the Audit Committee’s March 2018 meeting for information and review. The Chair confirmed that he had discussed the process for preparing the TRAC return and the tests of reasonableness with the PVC Assurance & Director of Finance, including a review of drivers of costs, internally funded research and movements since the last TRAC return. The approved return had been submitted to HEFCE by the 31st January 2018 deadline.

It was noted in response to members’ questions concerning the benefit the University derived from completing the return that the PVC Assurance & Director of Finance considered that the return provided a good opportunity to re-visit the University’s cost drivers.

The Committee received the TRAC Statement of Requirements. The Chair of the Audit Committee thanked staff who had been involved in the completion of the return.
12. **HEFCE charity guidance checklist.** The Committee undertook its annual review of its HEFCE charity guidance checklist, noting that HEFCE was the principal regulator of HE institutions (HEIs) which, like the University, were exempt charities. The checklist has been compiled by the Clerk with reference to Annex E (Exempt Charities) to HEFCE's Accountability & Assurance Memorandum 2016/12 (Aug. 2016) which set out HEFCE’s main requirements relating to the monitoring of exempt charities.

The Committee reviewed the draft checklist for 2016/17, noting that it showed that the University had complied with HEFCE’s exempt charity monitoring requirements in 2016/17.

The Committee approved its HEFCE charity guidance checklist 2016/17 for signing by the Chair of the Audit Committee.

*Action: Chair*

13. **2016/17 HE Governance Code report.** The Clerk reported that a year-end report against the CUC’s *Higher Education Code of Governance* (2014) (the *Code*) and against the accompanying *Statement of Primary Responsibilities* (the *Statement*) for 2016/17 had been approved at the Audit Committee's Nov. 2017 meeting and placed on the University website. Members had noted that the report on Primary Elements 1-4 and 6-7 of the *Code* had indicated that the University had applied the Primary Elements (i.e. that it had met or exceeded the requirements of the supporting ‘must’ statements that prescribed essential components within the element), with Primary Element 5 shown in the report applying to the University only in part. The Nov. 2017 meeting of the Audit Committee had also noted the illustrative practice examples shown in the report as not applicable to the University and/or not reflected in current practice and had agreed that they should be kept under regular review by the Committee.

The Clerk presented a draft table showing non-applicable illustrative practice examples, which had been included in the 2016/17 report against the *Code* and *Statement*, together with a report against Primary Element 5. Where the University’s practice had changed since the Committee’s November 2017 meeting, this was shown in the Action column e.g. the approval of an Ethics Policy, the inclusion of public information accuracy in the risk register.

Members discussed how the Board of Governors took account of the views of the University’s senior management team, the Academic Board, and staff and student communities and it was agreed that the following statements should be added to Evidence/Comments and/or the Action to be Taken columns, as appropriate, of section 7.e of the report:

- The Board of Governors included a Staff Governor nominated by the Academic Board, an elected Staff Governor, the elected Students’ Union President and an elected Student Governor, who contributed to Board of Governors' discussions;
- The Chair of the Board of Governors would specifically seek the views of Staff and Student Governors at Board of Governors' meetings as relevant;
- Governor training sessions led by staff members from academic and support areas provided an opportunity for Governors to engage with staff;
- The annual Governors and Executive meeting provided the opportunity for strategic discussion.

*Action: Clerk*

The Committee approved the update to the report against the CUC’s *Higher Education Code of Governance* (2014) (the *Code*) and against the accompanying *Statement of Primary Responsibilities* (the *Statement*), amended as noted above.

14. **HE Governance Code: new Illustrative Practice Notes.** The Committee had noted at its
November 2017 meeting that the Board of Governors had agreed to adopt the Committee of University Chairs (CUC’s) *Higher Education Code of Governance (2014)* (the *Code*) from 1st August 2015. Four supporting Illustrative Practice Notes, which had been issued by the CUC between March 2015 and May 2017, had also been noted as they were issued i.e. Note 1 (Remuneration Committees, Mar. 2015); Note 2 (Prevent Strategy, Nov. 2016); Note 3 (Academic Governance, Jan. 2017); Institutional Sustainability (May 2017).

The Committee received a briefing from the Clerk on three new Illustrative Practice Notes to support the *Code* issued by the CUC in November 2017 (i.e. Recruiting a Vice-Chancellor; Governing Body Responsibility for Recruiting a Chair; The role of the Nominations Committee), noting that these would be reviewed by the Board of Governors’ Search & Nominations Committee at its June 2018 meeting.

*Action: Clerk*

**PART VIII - Documents for information**

15. **KPMG financial statements benchmarking report.** Mr Alastair Newall presented the KPMG HE financial statements benchmarking report for 2016/17.

Members noted that the University was in a strong relative financial position, which was consistent with previous years, but noted the University’s income was significantly dependent on fees.

Members noted in discussion of the potential risk involved in significant fee dependency (e.g. risk arising from a change in government policy on fees) that the University also had strong student recruitment and retention, had seen steady growth in student numbers in recent years and, unlike some other HEIs, did not have significant borrowings.

Members discussed the University’s positive position in the section of the table on operating surplus to income.

In response to members questions, it was noted that:

- Art and design institutions needed to be able to make operating surpluses to support significant investment in equipment and facilities;
- The TRAC return showed that the cost of teaching students had increased;
- The University’s surpluses were invested in infrastructure, space and equipment as part of its strategic plan;
- The University would need to draw down on its loan facility to help finance the new build and the financial plan approved by the Board of Governors in July 2017 showed that future surpluses would not be as high as they had been historically;
- The results of the National Student Survey (NSS) and of the University’s own student surveys, together with positive student retention, appeared to indicate that the University was creating a positive student experience.

The Committee received KPMG HE financial statements benchmarking report for 2016/17, noting that members considered that the visual presentation of data was particularly helpful for Governors who were not finance specialists.

16. **Report on KPMG Audit Institute seminar (Nov. 2017).** The Chair of the Audit Committee, Mr Finnigan, presented his report on a KPMG Audit Committee Institute seminar which he had attended in November 2017, noting that it had been also been presented to the January 2018 Board of Governors’ meeting. The seminar has considered the implications of 3 topics for universities: Brexit; the power of universities in a city context; the GDPR.

Members noted that the Clerk had e-mailed copies of KPMG’s ‘Harnessing universities’
superpowers’, which was referred to in the report, to Audit Committee members and that a briefing on the implications of the General Data Protection Regulation (GDPR) for universities would be presented at the Governor development session to be held at the Governors and Executive meeting on 25th April 2018.

The Committee received a report from the Chair on KPMG’s November 2017 Audit Committee Institute seminar.

17. Other briefings from: TIAA Ltd, HEFCE & the Charity Commission.

(i) TIAA briefings June 2017 to Jan. 2018
The Committee received briefings from its internal auditors, TIAA, including reports on: the GDPR and consent; emerging risk and control issues for the education sector; and a 'lessons learned' report on cyber security, which have been produced by TIAA’s Data Analytics team, and had been designed to help share the issues identified in key areas from TIAA’s audit work across its client base.

(ii) Briefings from HEFCE and the Charity Commission
The Clerk reported that:
• HEFCE, as principal charity regulator for higher education institutions (HEIs) which were exempt charities, had drawn HEIs’ attention in December 2017 to the Charity Commission’s latest guidance on ‘How to Report a Serious Incident’ at: https://www.gov.uk/guidance/how-to-report-a-serious-incident-in-your-charity
• The Charity Commission had also issued a briefing in February 2018 on new rules relating to trustee disqualification in force from 1st August 2018, which was available at: https://www.gov.uk/guidance/automatic-disqualification-rule-changes-guidance-for-charities

The Committee received the above briefings and links, noting that the Clerk would provide a further briefing on new rules relating to trustee disqualification to the Committee's June 2018 meeting.

Action: Clerk

PART IX - Final matters

18. Any other urgent items of business. There were no other items of business not already on the agenda.

19. Risk management. No new items of risk had been identified at the meeting.

20. Date of next meeting. It was noted that the Committee was next scheduled to meet on Wednesday 6th June 2018 but it was agreed that the start time for the meeting should be changed from 3.30pm to 3.15pm.

Action: Clerk

PART X - Reserved matters - for decision

21. Exclusions. Mr A Newall (Manager, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors) left the meeting before consideration of the Reserved Matters items below.
AUDIT COMMITTEE
Minutes of a meeting of the Audit Committee
held on Wednesday 6th June 2018

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair), Professor P Cullen (Co-Opted Governor & Audit Committee member), Dr D Reid Independent (Governor & Audit Committee Vice-Chair), and Mr L Fox (Co-opted member)

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms J Hearnshaw (Secretary to the Vice-Chancellor), Mr R Jones (Audit Director, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors), Professor Wonnacott (Vice-Chancellor), Ms S Bailey (Pro-Vice-Chancellor Assurance & Director of Finance)

1. Apologies for absence. Apologies were received from Mr Bagley (Independent Governor & Audit Committee member).

The Chair, Mr Finnigan, welcomed Mr Fox to his first Audit Committee meeting as an external Co-opted Committee member. It was noted that Mr Jones, of the external auditors, KPMG, who was the Audit Manager for the external audit, would join the meeting later.

2. Declarations of interest. There were no declarations of interest.

PART I - Items for decision

3. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 21st March 2018, were approved: proposed Professor Cullen, seconded Mr Finnigan.

4. Action table and matters arising from the minutes, not elsewhere on the agenda. The committee considered the action table attached to the above minutes, noting that all actions had been completed, would be considered at the meeting, had been considered at the Board of Governors’ meeting held earlier on 6th June 2018 or had a future completion date.

(Mr R Jones of KPMG joined the meeting).

The members noted that:
- With reference to undertaking penetration testing to gauge the University’s resilience against a cyber-attack, a quotation for the proposed work had been received from the University’s existing firewall suppliers and additional quotations were being sought to ensure value for money, with a report to be given to the October 2018 Audit Committee meeting (action 7);
Action: Pro-Vice-Chancellor Assurance & Director of Finance

- The Vice-Chancellor, Professor Wonnacott, reported that a section on re-tweeting was not currently included in the University's social media guidelines and that she had asked the Head of Marketing to consider this when the guidelines were next reviewed (action 8);
- The University's Policy on Criminal Facilitation of Tax Evasion had been approved, on the recommendation of the Audit Committee, at the Board of Governors’ meeting held earlier on 6th June 2018 (action 12);
- The above policy had been developed in response to the Criminal Finances Act 2017 (the Act), which had introduced from September 2017 a new corporate criminal offence (CCO) which made it an offence for a body corporate (e.g. a higher education corporation) to fail to prevent an associated person (e.g. an employee, agent etc) from criminally facilitating the evasion of tax (action 11);
- Government guidance set out six guiding principles (including risk assessment) to help ensure compliance with the Act, with approval of the Policy on Criminal Facilitation of Tax Evasion being part of the evidence that the University had undertaken appropriate risk assessment.

The Committee completed its review of actions arising from the minutes. There were no other matters arising.

PART II - Risk management: items for consideration

5. Risk register. The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey, reported that the University’s senior management team had reviewed the strategic risk register in May 2018, resulting in minor changes to the following risks:
   - Risk 4 (Resources) had been updated (e.g. to include reference to contingency planning), with the risk movement being upwards and the net risk rating score of 12 now aligned with that of Risk 29 (Strategic);
   - Risk 7 (Regulation) now included a reference to the General Data Protection Regulation (GDPR).

The Committee received the University’s revised risk register, noting in particular the amended risks.

PART III - Internal audit matters: items for consideration

6. Implementation plan of auditors’ recommendations. The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey, presented an update on the implementation of internal audit recommendations. The Committee received the report, noting that all 3 outstanding recommendations had been completed. It was noted, with reference to the recommendations arising from the cash and payment management review, that the University’s Cash Handling Policy had been revised and approved by the senior management team to include an escalation process for non-compliance and insurance policy limits had been increased, which had reduced the risk of an uninsured loss.

The Committee received the progress report on the implementation of internal audit recommendations.

7. Internal audit: Block 2 reports. Mr McCulloch (Audit Director, TIAA Ltd, internal auditors) presented the 2017/18 internal audit block 2 reports. The Committee considered the following reports arising from the reviews undertaken in Block 2.
(i) Prevent strategy
Members noted that:

- The review had considered the University's framework to deliver the requirements of the Prevent Duty, which was noted in the report arising from the review to be robust, appropriately monitored and reported to senior management and the Board of Governors;
- The report also noted that the University undertook monitoring through a detailed Prevent risk register and action plan, with reporting to HEFCE being undertaken in line with requirements and the most recent submission having been assessed by HEFCE as demonstrating evidence of due regard to the Prevent duty;
- The review had resulted in an overall assurance assessment of substantial assurance with 1 recommendation arising from the review which had been graded routine on a 4 grade scale of urgent/important/routine/operational.

In response to Governors questions concerning media reports of greater sharing of intelligence data between the security services and local authorities, it was noted that the University had received no specific information on this but the Pro-Vice-Chancellor Student Experience & Resources, Professor Russell, attended meetings of the Leeds Prevent Silver Group.

(ii) HEFCE quality assurance
Members noted that:

- The review had considered how the University provided assurance on the continuous improvement of the student academic experience and of student outcomes, noting that the University had developed a robust process for the monitoring of quality assurance and continuous improvement, including appropriate key performance indicators (KPIs) which were provided to Governors for review and challenge, detailed internal quality assurance processes which were consistently operated, and with external review undertaken and reported upon;
- The review had resulted in an overall assurance assessment of substantial assurance, with no recommendations arising from the review.

The Committee noted the importance of the reports the Board of Governors received from the University in this area, which provided evidence which enabled the Board of Governors to provide the required assurance to HEFCE and, in future, the OfS. The Committee noted also, in this context, the contribution of relevant internal audit reviews, such as the HEFCE Quality Assurance review, as an additional source of assurance for the Committee which contributed to its opinion in its annual report to the Board of Governors.

Governors noted in discussion that it appeared from the report that staff were aware of how quality assurance process fed into the student experience and were engaging positively with the University's processes for continuous improvement, which was to be commended.

(iii) Risk management framework
Members noted that:

- The review considered the arrangements for the identification, management, monitoring and reporting of risk to senior management and the Board of Governors;
- The University's risk register was presented to the Audit Committee at each meeting, with new risks identified and changes made to current risks
highlighted, which allowed for appropriate challenge to be made by the Committee;
• The risk register was also presented to the Board of Governors annually;
• The Audit Committee received briefings on risk and fraud e.g. briefings produced by auditors and/or regulators;
• The review had resulted in an overall assurance assessment of substantial assurance, with no recommendations arising from the review.

It was noted in discussion that the University's risk management process was tightly controlled by the senior management team, which the internal auditors considered to be appropriate for the size of the institution.

Members discussed in detail risk management issues in general, including:
• Risks where controls did not result in the net risk score being lower than the gross risk score e.g. risk 2 (external/political) and risk 22 (competitive environment), noting that, where it was not possible to mitigate risk, it would be appropriate to have a strategy to deal with the risk should it materialise;
• The development of risk appetite statements by higher education institutions (HEIs), including, for example, a requirement for reserves to be maintained at an agreed level;
• The need for HEIs to have the capacity to respond quickly should a change in government policy result, for example, in a significant decrease in funding, together with the need for any strategy developed in response to a risk of this type to take into account that any response might take a number of years to implement e.g. in the case of course or institutional closure;
• New developments in the higher education and further education (FE) sectors in response to such risk included the OfS registration requirement that HEIs produce Student Protection Plans (which set out what students could expect to happen should a course or institution close) and the introduction of an FE colleges’ insolvency regime.

In response to members’ questions arising from the above discussion:
• The Pro-Vice-Chancellor Assurance & Director of Finance stated that the University already had contingencies and a financial strategy to cover a number of institutional risk areas but these were not directly linked to the risk register;
• The feasibility of such linkage would be considered when the risk management policy was next reviewed.

(iv) Student records application
Members noted that:
• The review considered the adequacy and effectiveness of the key controls over the application process including access controls, data input, data processing, data output, and system controls;
• The report concluded that controls were in place to ensure that applications were processed promptly and fairly and that offers made were appropriate;
• The review had resulted in an overall assurance assessment of substantial assurance with 1 recommendation arising from the review which had been graded routine on a 4 grade scale of urgent/important/routine/operational.

Members noted in discussion that the report stated that interviews were undertaken with all FE, undergraduate and postgraduate applicants. It was noted in response to members’ questions that:
• Interviews and auditions in the creative and performing arts sector were
common practice, with the University considering them a worthwhile investment which also allowed it to showcase its provision to students;
• The University did, however, keep its practice under regular review.

The Committee received the block 2 internal audit reports, thanking TIAA Ltd for the reports which provided both assurance and detailed information on the areas and processes reviewed.

PART IV - external audit matters: items for consideration

8. External auditor independence: annual report on non-audit work undertaken by the external auditors. The Committee received the policy on using external auditors for non-audit services, noting it had last been reviewed by the Audit Committee in April 2017 and had since been updated to reflect the change to University title, the change in the Director of Finance’s title and the establishment of the OfS as the University’s regulator from the 1st of April 2018. Members considered the updated policy, noting that 2 references to ‘college’ remained in the document which should be updated to read ‘university’.

Action: Clerk

The Pro-Vice-Chancellor Assurance & Director of Finance presented the annual report on non-audit work undertaken by the external auditors, reporting that: the University had spent £5,091 on non-audit fees with KPMG in 2017/18; the work undertaken had been pre-approved, as required under the policy, and related to the University's S33 claim to the Department for Culture, Media and Sport (DCMS) to enable it to reclaim VAT incurred in relation to the University Gallery. Members noted that the application was being processed by the DCMS and, if approved, would be backdated to the date of the University's application.

Members noted that, under the policy, where the proposed fee for non-audit services was above £5,000 or the aggregate of such fees for the year would exceed £5,000, Audit Committee approval had to be sought before the work was commenced. The Committee considered the above fee level, noting that it constituted around a third of the cost of the annual external audit, and agreed that it remained appropriate.

The Committee received the report and the policy, for information.

9. Annual external audit planning memorandum. Mr Jones (Audit Director, KPMG LLP UK, External Auditors) presented the annual audit planning memorandum for the financial year ending 31st July 2018 to the Committee.

Mr Jones reported that:
• The document described KPMG’s overall strategy and scoping, its approach to materiality and identified the significant risks and areas of focus to be addressed by the audit;
• The audit’s main purpose was to issue a report which expressed KPMG’s opinion on whether the financial statements gave a true and fair view of the state of the affairs of the University as at 31st July 2018, whether they had been properly prepared in accordance with United Kingdom accounting standards (including FRS102) and with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, and whether they met the requirements of the OfS Accounts direction to higher education institutions for the 2017/18 financial statements.

Members noted that:
• Significant risks and key areas of focus for the audit would be capital accounting of transactions related to the building project, pensions (including the triennial review), revenue recognition (including fraud risk), and the risk of management override of controls (with the last 2 areas mandatory under the Accounting Standards), noting them to be the biggest transaction flows in the accounts;
• This document has been written with reference to the current regulatory approach but would be updated, as appropriate, when further regulatory advice was released;
• Other areas of focus would be the University’s overall financial position and going concern (including review of student recruitment), and use of funds/regularity;
• Materiality had been set at £300k, which was consistent with the prior year, and KPMG would also report on all individual errors in excess of £15k;
• The approach and timetable for the review were similar to previous years, with a single audit visit in October;
• Proposed fees for the external audit, plus the Teacher’s Pension Scheme (TPS) certificate return, would be £15,075, which was noted to be at the same rate as 2016/17;
• The plan also included sections on the auditors’ terms of appointment and independence.

It was noted in response to Governors questions:
• With reference to auditor independence and the £5,091 fee for VAT consultation work considered above, that the section in the plan on fees stated that the ratio of non-audit fees to audit fees for the year was 0.8:1;
• The level of non-audit fees would also be referred to in KPMG’s year-end report;
• The timing of the audit work had been discussed with reference to the new build project;
• The dates of Audit Committee meetings in the autumn would be monitored to ensure the post balance sheets were correctly disclosed.

The Committee approved the external audit planning memorandum, including fees, for recommendation to the Board of Governors: proposed Dr Reid, seconded Professor Cullen.

Action: Chair

PART V - policies for recommendation to the Board of Governors

10. Revised ethical fund-raising policy. The Vice-Chancellor, Professor Wonnacott presented the revised Ethical Fund-Raising policy to the Committee, highlighting the following changes to the policy; the inclusion of the lost property procedure (i.e. where the University donated any money not claimed after a certain time to the alumni fund); references to legislation (i.e. the GDPR) and the fundraising regulator; the threshold for reporting to the Board of Governors i.e. an annual report would be made to the Board of Governors where fund-raising exceeded £0.5million.

Professor Wonnacott reported in response to members’ questions:
• Amounts received from fund-raising were slowly increasing and, from the donations received to date, the University had been able to award a number of alumni bursaries in 2017-18;
• Guidance arising from the review into fund-raising at the LSE had been taken into account when the policy was originally formulated;
Donations would not be accepted from organisations where their receipt might affect the reputation of the University.

The Committee agreed to recommend the updated ethical fundraising policy and to the Board of Governors for approval, noting that it would be useful for the Board of Governors to receive a report on total fundraising to date: proposed Dr Reid, seconded Professor Cullen.

Action: Chair/Vice- Chancellor

11 Revised Whistleblowing policy. The Vice-Chancellor presented to the Committee the re-drafted Whistleblowing policy, which was being recommended by the University’s senior management team.

Members noted the following changes to the policy
- It was being recommended that the Whistleblowing Policy should in future be approved by the Board of Governors to highlight the Board’s commitment to the policy, in line with section 2b of the Committee of University Chairs (CUC) HE Code of Governance which stated that governing bodies should approve a whistleblowing policy;
- The policy had been revised to make the process to be followed clearer for potential whistleblowers and roles had been clarified.

It was also noted that aspects of the revised policy had been checked with the University’s solicitors e.g. with reference to relevant legislation’s applicability to employees only and in relation to ensuring that the wording of the revised policy was in line with legislation and encouraged employees to use the policy where they had a genuine concern.

The following suggested amendments were raised in discussion of the policy:
- At paragraph 4.2 (The whistleblower should treat any information about the investigation as confidential), the wording should be amended to clarify that the requirement for confidentiality was to ensure that the process was not compromised;
- At paragraph 5.4, a reference to an external body that a potential whistleblower could approach for initial guidance should be added e.g. Public Concern at Work;
- At paragraph 6.9, the wording should be amended to state that where the disclosure fell within the scope of the whistleblowing policy, the designated person would decide whether immediate action was required to safeguard the legal position, reputation or assets of the University.

The Committee received the re-drafted Whistleblowing Policy, agreeing that:
- Taking into account the above suggestions and following receipt by the Vice-Chancellor of a written list of proposed amendments from the Audit Committee Vice-Chair, Dr Reid, a revised policy should be circulated to the Committee by e-mail;
- If Committee members indicated by e-mail that they were content with the resulting revision, the revised policy should be recommended to the Board of Governors’ July 2018 meeting for approval.

Action: Vice-Chair/Vice-Chancellor & Clerk/Chair

PART VI - Governance matters
12. 2016/17 HE Governance Code report: review of illustrative practice examples shown as non-applicable. The Committee noted that clarifications and updates to the sections of the table relating to non-applicable illustrative practice examples included in the 2016/17 report against the HE Governance Code and the Statement of Primary Responsibilities, together with a report against Primary Element 5, had been presented to the Audit Committee's Mar. 2018 meeting, at the Committee's request, together with a report against Primary Element 5.

The Committee received the June 2018 update to the report against the CUC’s Higher Education Code of Governance (2014) (the Code) and against the accompanying Statement of Primary Responsibilities (the Statement).

PART VII - Committee matters: item for review, approval &/or recommendation

13. Annual review of Audit Committee standing agenda item list. The Clerk reported that the Committee's standing agenda item list had been updated for 2018/19 to reflect both the Committee's current practice and the change of regulator from April 2018 i.e. references to HEFCE had been amended to read OfS; the annual value for money report had ceased to be a mandatory return in 2017 and had been removed; the addition of a regular review of the HE Governance Code report (review of illustrative practice examples shown as non-applicable) and review of the annual compliance report against the Committee's OfS charity guidance checklist at the Committee's spring meeting.

The Committee agreed the following amendment to the draft list: it should be noted that the internal audit strategy and plan would be approved at the Committee's November meeting if not agreed at its October meeting.

The Audit Committee approved the revised standing agenda item list for 2018/19, amended as noted above: proposed Dr Reid, seconded Professor Cullen.  

Action: Clerk

14. Annual review of Audit Committee terms of reference. The Committee reviewed its terms of reference, noting that the Clerk was recommending a minor change relating to the OfS becoming the successor body to HEFCE from 1st April 2018.

The Committee approved the updated Audit Committee terms of reference for recommendation to the Board of Governors: proposed Professor Cullen, seconded Dr Reid.

Action: Chair

15. Audit Committee's terms of reference: annual compliance review. The Audit Committee undertook its annual self-assessment against its terms of reference compliance checklist, agreeing that the following amendments should be made to the draft checklist: the 'Not applicable' column should be amended to read 'No compliance issues arose'.

The Audit Committee completed its 2017/18 terms of reference compliance checklist and agreed that the checklist, amended as noted above, should be signed by the Chair: proposed Dr Reid, seconded Professor Cullen.

Action: Clerk/Chair

PART VIII - Documents for information

16. Office for Students (OfS) documents. The Committee noted that the OfS had
become the University’s regulator from the 1st of April 2018, replacing HEFCE, and received for information the OfS Terms and conditions of funding for higher education institutions. For the period to 31 July 2019 (Reference OfS 2018.15) (Published 29 March 2018) and links to the OfS Regulatory framework for HE in England (Reference OfS 2018.01) (Published Feb. 2018) and OfS Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE. Guidance for providers during the transition period. (Reference OfS 2018.12) (Published 29 March 2018).

Members noted that the OfS Terms and conditions of funding for higher education institutions document, which included the Audit Code of Practice applicable to HEIs, replaced HEFCE’s Memorandum of Assurance and Accountability between HEFCE and institutions (July 2017/18) and would be in force until July 2019.

It was noted, in response to members’ questions concerning sections 52-54 (Exchequer interest) of the OfS Terms and conditions of funding for higher education institutions document, that the only Exchequer interest relevant to the University related to HEFCE grant of less than £300k.

The Committee received the OfS Terms and conditions of funding for higher education institutions document and links to other relevant documents.

17. Charity Commission: report on new charity regulations relating to trustee disqualification in force from 1st Aug. 2018. The Clerk presented to the Committee a report on new charity regulations relating to trustee disqualification in force from 1st August 2018. The Committee noted that HE corporations were ‘exempt charities’, which meant that they were exempt from registration with the Charity Commission. HEFCE had been principal regulator for exempt charities and responsible for promoting their compliance with relevant charity law until 1st Apr. 2018, when this responsibility passed to the OfS.

Members noted that the two key changes which would be introduced on the 1st August 2018 were:

- There would be an increase in the number of legal reasons that disqualify someone (including a member of an HE Corporation that was an exempt charity) from acting as a charity trustee; and
- Those who were disqualified from acting as a trustee would also be disqualified from holding certain senior management positions in charities e.g. they would be disqualified from holding the posts of Vice-Chancellor or Pro-Vice-Chancellor Assurance & Director of Finance.

It was noted that the above changes would requires amendments to be made to Governors’ annual eligibility statement and for Governors to sign the revised eligibility statement before 1st August 2018. Members noted that a revised eligibility statement had accordingly been approved by the Board of Governors, on the recommendation of the Search & Nominations Committee, earlier on the 6th June 2018 and that the Board of Governors’ Standing Orders had also been revised to take account of both the change to charity regulations relating to trustee disqualification and the OfS ‘fit and proper’ person test applicable to Governors.

The Committee received a briefing on new charity regulations relating to trustee disqualification in force from 1st August 2018.

PART IX - Final matters

18. Any other urgent items of business. There was no other business not already on the
agenda.

19. **Risk management.** No new items of risk had been identified at the meeting.

20. **Dates of next year's meetings.** The Committee dates for 2018-19 were confirmed as: Wed. 10\textsuperscript{th} Oct. 2018 at 3.30pm; Wed. 14\textsuperscript{th} Nov. 2018 at the earlier time of 1.30pm; Wed. 20\textsuperscript{th} Mar. 2019 at 3.30pm; Wed. 5\textsuperscript{th} June 2019 at 3.30pm.
AUDIT COMMITTEE
Minutes of a meeting of the Audit Committee
held on Wednesday 10th October 2018

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair),
Dr D Reid Independent (Governor & Audit Committee Vice-Chair), Mr Bagley (Independent Governor & Audit Committee member).

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms J Hearnshaw (Secretary to the Vice-Chancellor), Mr R Jones (Audit Director, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors), Professor Wonnacott (Vice-Chancellor), Ms S Bailey (Pro-Vice-Chancellor Assurance & Director of Finance).

1. **Apologies for absence.** Apologies were received from Professor P Cullen (Co-opted Governor with experience in the provision of education and Audit Committee member) and Mr L Fox (Co-opted Audit Committee member).

2. **Declarations of interest.** There were no declarations of interest.

3. **Election of Chair & Vice-Chair of the Audit Committee.** Mr Finnigan was elected as Chair of the Audit Committee for 2018/19: proposed Dr Reid, seconded Mr Bagley.

   Dr Reid was elected as Vice-Chair of the Audit Committee for 2018/19: proposed Mr Finnigan, seconded Mr Bagley.

**PART I - Items for decision**

4. **Minutes of the previous meeting.** The minutes of the meeting of the Committee held on 6th June 2018, were approved: proposed Dr Reid, seconded Mr Bagley.

5. **Action table and matters arising from the minutes, not elsewhere on the agenda.**

   The Committee considered the action table attached to the above minutes, noting that all actions had been completed, would be considered at the current meeting, had been considered at the Board of Governors’ meeting held earlier on 10th October 2018 or were in progress.

   Members noted with reference to actions still to be completed:
   - Penetration testing to gauge the University’s resilience against a cyber security attack would take place in November 2018;
• The amended Audit Committee 2017/18 terms of reference compliance checklist would be signed by the Chair following the current meeting.

_action: Clerk/Chair_

The Committee completed its review of actions arising from the minutes. There were no other matters arising.

**PART II - Risk management: items for consideration**

6. **Risk register.** The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey, reported that the University’s senior management team (SMT) had reviewed and updated the University’s strategic risk register in September 2018, resulting in minor changes to the wording at Risk 2 (external/political) to reflect the review of post-18 education and the University’s involvement in the Department for Education costing survey.

Members' noted in discussion that Risk 22 (competitive environment) related to the external environment, with mitigation being through the University's membership of sector lobbying groups, while reputational standing (including performance against external benchmarks) was partly included in Risk 1 (Academic and Resources). The relationship between issues included in Risk 1 and Risk 22 and the possible inclusion of Office for Students (OfS) registration as a risk would be considered at the next review of the risk register.

_action: PVC Assurance & Director of Finance_

The Committee received the University's revised risk register.

**PART III - Internal audit matters: items for consideration**

7. **Internal audit: progress & implementation plan.** The Pro-Vice-Chancellor Assurance & Director of Finance reported that the final internal auditors’ recommendation arising from the Student Records application review had been implemented.

The Committee received the report on the University's progress and implementation plan of internal auditors' recommendations.

8. **Internal audit: annual report.** Mr McCulloch (Audit Director, TIAA Ltd, internal auditors) presented the 2017/18 internal audit report.

The Committee noted that the Head of internal audit’s opinion was: ‘I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a positive conclusion as to the adequacy and effectiveness of Leeds Arts University’s risk management, control and governance processes. In my opinion, Leeds Arts University has adequate and effective management, control and governance processes in place to manage the achievement of their objectives’.

Members noted that:
• 7 reviews had been carried out in 2017/18, with 6 receiving substantial assurance and the cash and payment management review receiving reasonable assurance;
• 4 recommendations had arisen from the reviews undertaken, with 1 recommendation graded as 'important' (the second highest rating on TIAA's 3-point scale) and 3 as 'routine' (the lowest rating on a 3-point scale).
It was noted, in response to members’ questions concerning how the number of recommendations in the 2017/18 internal audit report compared to the number of recommendations arising from reviews undertaken at other higher education institutions, that the University’s relatively low number of recommendations reflected the high number of reviews which had received substantial assurance.

The Chair of the Committee congratulated staff on the outcome of the 2017/18 internal audit.

The Committee received the annual internal audit annual report 2017/18, noting that it would be to be presented to the Board of Governors and submitted to the Office for Students (OfS) as an appendix to the Audit Committee’s Annual Report.

Action: Clerk

PART IV - Internal audit matters: items for recommendation

9 Annual internal audit annual plan. Mr McCulloch (Audit Director, TIAA Ltd, internal auditors) presented the 2018/19 draft internal audit annual plan. It was noted that Mr McCulloch had met with the Pro-Vice-Chancellor Assurance & Director of Finance in September 2018 and had considered the 2018/19 plan with reference to the internal audit 3-year rolling strategic plan, the University's risk register, and key emerging themes for the higher education sector i.e. fraud/whistleblowing, implementation of the General Data Protection Regulation (GDPR), and cyber crime.

The Committee noted that the proposed internal audit reviews for 2018/19 were:

- Governor recruitment and training;
- Health & safety;
- Network security and cyber crime;
- Student records assessment;
- GDPR Compliance Audit
- Treasury management
- Academic Quality- course approval and periodic review

It was noted that: the planned reviews of business continuity and ICT (disaster recovery) had been deferred to 2019/20; a specific fraud review had not been included in the draft plan but was implicit in other reviews.

It was noted in response to members’ questions that:
- TIAA would provide in-house IT specialists who would undertake the proposed cyber crime and academic quality review;
- The Pro-Vice-Chancellor (PVC) Assurance & Director of Finance confirmed that the risk of cyber crime was considered to be low as the University's internet connection was through JANET (the Joint Academic Network), operated by Jisc (formerly the Joint Information Systems Committee);
- As previously noted, penetration testing to gauge the University's resilience against a cyber security attack would take place in November 2018.

Members discussed the balance of reviews planned for 2018/19, including the number of days allocated.

Members discussed the proposed treasury management review in the context of the
drawing down of the revolving credit facility (which would take place before the planned review in April 2019) and compliance with bank loan covenants, noting the relative contribution of internal and external audit reviews in relation to providing Governors with assurance concerning the latter. While covenant breach was not considered to be currently an area of high risk, the Committee discussed the need for a review of treasury management to be included at some point in the 3-year rolling strategic plan.

Members discussed the proposed 2-day review of Governor recruitment and training, noting that the annual plan always included an annual review of governance, with the importance of Governor attendance at training events highlighted at Risk 18 in the University’s risk register.

The Committee considered the proposed 4-day review of academic quality (course approval and periodic review). Members noted in discussion that, in the previous 2 years, the Board of Governors, when making its statement to the Higher Education Funding Council for England (HEFCE) on the continuous improvement of the student academic experience and student outcomes, had been able to take assurance from a recent external review undertaken by the Quality Assurance Agency review as part of the University’s successful Taught Degree Awarding Power (TDAP) application, with the 2017/18 internal audit plan having included a review of the processes by which the University monitored quality assurance and continuous improvement. Members noted that 2018/19 would see a significant expansion in the University’s undergraduate provision following the approval of 5 new undergraduate courses, with a corresponding need for Governors to receive appropriate assurance on the University’s processes for course approval.

Members noted that the planned internal audit review of academic quality reflected an increased emphasis on academic quality and student journey reviews being undertaken in the higher education sector generally.

Members discussed whether the 2018/19 internal audit plan should include a review of strategic planning in relation to external political and competitive risk. It was noted that the rolling 3-year internal audit strategy took account of the University’s risk register and that there had already been a number of reviews which covered strategic planning, risk management and budgetary control.

Members considered whether a total of 24 audit days remained appropriate, given that the University was expanding, noting that this could be considered when the University went out to tender for internal auditors in 2019.

**Action: PVC Assurance & Director of Finance**

The Committee completed its review of the draft internal audit plan for 2018/19, agreeing that it should be amended to: remove the treasury management review from the 2018/19 internal plan; allocate the 2 days which would have been used on the treasury management review to the cyber crime review and the academic quality review.

**Action: TIAA/PVC Assurance & Director of Finance**

The Committee agreed that the internal audit plan 2018/19, amended as noted above, should be recommended to the Board of Governors for approval: proposed Dr Reid, seconded Mr Bagley.

**Action: Chair**
Annual report on fraud, bribery, irregularity and whistleblowing events. The Pro-Vice-Chancellor Assurance & Director of Finance presented the University's annual report on fraud, bribery, irregularity and whistleblowing events which recorded that there had been no significant fraud, as defined in the Memorandum of Assurance & Accountability between HEFCE & institutions) and/or the Office for Students (OfS) Terms and conditions of funding for higher education institutions and no bribery, irregularity or “whistle-blowing” events in 2017/18 or to date.

With reference to the Bribery Act 2010, members noted that the report recorded that the University's opinion was that the risk to the institution remained low during 2017/18 and to date and that the institution had appropriate policies and procedures in place to help minimise any risk.

Members noted that, in this context, the following policies and procedures, which were regularly reviewed, revised and updated as appropriate e.g. a Policy on Fraud, Bribery, Corruption & Irregularities (approved by the Board of Governors, July 2014), a Policy on Criminal Facilitation of Tax Evasion (approved by the Board of Governors, June 2018), a Whistleblowing Policy and an Ethical Fundraising Policy (both updated and approved by the Board of Governors in July 2018).

In response to members’ questions it was noted that:

- Fraud was included as part of the finance induction which was provided for all staff with budgetary and financial responsibilities;
- Updates on fraud, including recent examples of external fraud targeting educational institutions, were received through the BUFDG (British Universities Finance Directors’ Group) and were circulated, as appropriate, to finance department staff;
- With reference to staff awareness of policies and procedures generally, policies and procedures were available to all members of staff through the University portal and new and/or revised policies and procedures were brought to staff members’ attention.

With reference to the extract on fraud, misappropriation and whistle-blowing from the Committee of University Chairs (CUC) Handbook for members of Audit Committees in HEIs (February 2008/06) which had been included as an appendix to the above report, it was noted that the University’s Whistleblowing Policy reflected the requirements of the Public Interest Disclosure Act 1998, which provided protection for whistleblowers from detrimental treatment by their employer (i.e. it applied only to employees), while relevant concerns raised by students would be considered under the University's complaints procedures.

It was agreed that the policies and procedures referred to in the annual fraud, misappropriation and whistle-blowing report should, in future, be included in an Information Pack accompanying the agenda.

Action: Clerk

The Committee received the University's annual fraud, misappropriation and whistle-blowing report.
representations on breaches of laws and regulations, actual or suspected frauds, and the existence of related party transactions that have been signed by the Vice-Chancellor and by the Pro-Vice-Chancellor Assurance & Director of Finance.

Members noted that the signed forms stated that there were no breaches of laws and regulations, actual or suspected frauds, and the existence of related party transactions to be brought to the Committee’s attention.

It was noted in response to members’ questions as to whether the reference to the Vice-Chancellor and the Pro-Vice-Chancellor Assurance & Director of Finance’s awareness of any ‘potential breach of law/regulations’ on the signed form was sufficient to enable the Board of Governors to make the required representations in this respect in the Board’s annual letter of representation to the external auditors, that the form used was based on a model pro forma provided by KPMG, the wording of which was derived from relevant accounting standards.

Members noted in discussion that receipt of the annual management representations which was only one of a range of assurances received by Governors concerning their responsibilities in relation to laws and regulations e.g. with reference to health and safety law, the Board of Governors received an annual health and safety report and a report on any RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) incidents was also included in the CEO’s report which was received at each meeting of the Board of Governors.

The Committee received the annual management representations on breaches of laws and regulations, actual or suspected frauds, and the existence of related party transactions.

12 HE Governance Code report: review of illustrative practice examples shown as non-applicable. The Committee noted that, as the report was unchanged from the version presented to the June 2018 Audit Committee meeting, it was not being re-presented and that the full report against the Code for 2017/18 would be presented to the Audit Committee’s November 2018 meeting.

Action: Clerk

PART VI - Documents from outside bodies: for information

13 Office for Students (OfS) assurance review report. The Committee considered the OfS report on the outcome of the assurance review of the University that it had undertaken in June 2018, noting that the report was positive and there were no recommendations arising from the review.

The Committee received the OfS report on the outcome of its June 2018 assurance review of the University.

14 OfS annual accountability returns schedule. The Clerk presented the OfS accountability returns schedule issued in March 2018, noting that, with the exception of a requirement for the submission of a Value for Money (VfM) report, it was largely unchanged from the schedule published by Higher Education Funding Council (HEFCE) in autumn 2017. It was noted that the OfS had recently confirmed that the requirement for the submission of a VfM report had been removed and that an efficiency return was not required to be submitted in 2018/19.
The Committee received the OfS accountability returns schedule for 2017/18.

15 **Report on links &/or documents from regulators or other outside bodies.** The Committee considered a list of documents recently published by HE sector bodies or regulatory authorities on areas of interest to the Committee, including relevant links, i.e.

- Regulatory Advice 5: Exempt charities (Reference OfS 2018.23. Publication date 18 May 2018) and an OfS briefing note on proposed legislation on the OfS’s regulation of HE providers which were exempt charities, which was expected to be in force (subject to the will of Parliament) from 1 August 2019;
- OfS Regulatory advice 9: Accounts direction. Guidance on preparing and publishing financial statements (Reference OfS 2018.26. Publication date 19 June 2018);
- OfS Regulatory advice 10: Accountable officers. Guidance for providers on the responsibilities of accountable officers (Reference OfS 2018.29. Publication date 17 July 2018);
- The Committee of University Chairs (CUC) updated Higher Education Code of Governance in June 2018 (adopted at the Board of Governors’ July 2018 meeting with effect from 1 August 2018);
- The TRAC (Transparent Approach to Costing) Guidance v2.3 issued in July 2018 for returns relating to the 2017-18 year.

The Clerk reported that section 2.1.5.18 of the TRAC Guidance v2.3 (July 2018) confirmed that the procedure for the signing off of the approved annual TRAC return remained unchanged i.e. that the approved return should 'be signed off by a Committee of the Governing Body to confirm compliance with TRAC requirements. It is expected that such a Committee will have lay membership and will usually be chaired by a member of the Governing Body. This can be either at a meeting of the Committee or via Chairs action’. It was noted that the November 2017 meeting of the Board of Governors had agreed that the approved annual TRAC return should be signed off under Chair’s action by the Chair of Audit Committee.

The Committee noted a briefing on documents recently published by higher education sector bodies or regulatory authorities.

16 **TIAA Technical updates.** Mr McCulloch presented the TIAA newsletters for June and September 2018.

Members noted that:

- The newsletters were cross-sector;
- The June 2018 newsletter referred to TIAA’s annual fraud digest;
- Key issues covered in the newsletters included cyber security, including end of life plans for IT devices and software.

The Pro-Vice-Chancellor Assurance & Director of Finance confirmed that the University had appropriate arrangements in place in relation to end of life plans for IT devices and software.

The Committee received TIAA newsletters for June and September 2018, noting that members found them useful.
17 Audit Committee self-assessment checklist, including compliance review against HEFCE/OfS accountability requirements. The Clerk presented the Committee's draft self-assessment checklist 2017/18 for completion by the Committee.

The Committee confirmed the grades in the draft Audit Committee self-assessment checklist for 2017/18 and the HEFCE/OfS accountability requirements compliance checklist 2017/18, with the following amendments to the 'Comments' column of the former:

- Section A6 - the addition of a statement that Mr Bagley and Mr Fox were qualified accountants;
- Section B21 - the statement should read 'Dialogue had been appropriate';
- Section C1 - the addition of a statement that documents had been provided and a brief induction session with the Clerk had been held before Prof. Cullen's first Audit Committee meeting but that an induction session remained to be arranged for Mr Fox;
- Section B21 - the statement should read 'Dialogue had been appropriate'.

Action: Clerk

The Committee completed its review of the Audit Committee’s self-assessment checklist 2017/18, agreeing that the final version amended as noted above, should be signed by the Chair of the Committee.

Action: Clerk/Chair

18 Audit Committee draft annual report. The Clerk presented to the Committee the first draft of the Audit Committee Annual Report for 2017/18, reporting that the final draft would be presented to the Committee's November 2018 meeting.

The Committee agreed the following amendments to the draft report:

- Section 1 - the replacement of 'relevant issues' with 'significant issues', in line with the wording used by HEFCE/OfS;
- Section 2 - the correction of the spelling of Mr Fox's name;
- Section 8.4 - the addition of 'The Audit Committee noted at its October 2018 meeting that KPMG had been the University's external auditors since it transferred to the higher education sector in August 2011 and that KPMG had been notified that the University would therefore go out to tender for external auditors in 2018/19';
- Section 12 - the removal of the reference to TIAA's annual internal audit report 2017/18 not including a specific opinion on value for money;
- Section 15 - the removal of the reference to documents/links considered at the Committee's Oct. 2018 meeting

The Committee completed its review of the first draft of the Audit Committee Annual Report for 2017/18, agreeing that it should be amended as noted above, with the amended version presented to the Committee's November 2018 meeting.

Action: Clerk

PART VIII - Final matters

19 Any other urgent items of business. There was no other business not already on the agenda.

20 Risk management. There were no new items of risk identified at the meeting.
Date of next meeting. The Committee noted that it was next scheduled to meet on Wednesday 14 Nov. 2018 at the earlier time of 1.30pm.

PART IX - Reserved Matters - for decision

Exclusions. Mr R Page (Manager, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors) left the meeting before consideration of the Reserved Matters items agenda.
Present: Mr J Finnigan (Independent Governor & Audit Committee Chair), Dr D Reid Independent (Governor & Audit Committee Vice-Chair), Mr Bagley (Independent Governor & Audit Committee member), Professor P Cullen (Co-opted Governor with experience in the provision of education and Audit Committee member), Mr L Fox (Co-opted Audit Committee member).

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms J Hearnshaw (Secretary to the Vice-Chancellor), Mr R Jones (Audit Director, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors), Professor Wonnacott (Vice-Chancellor), Ms S Bailey (Pro-Vice-Chancellor Assurance & Director of Finance).

1. **Apologies for absence.** There were no apologies for absence.

2. **Declarations of interest.** There were no declarations of interest.

**PART I - Items for decision**

3. **Minutes of the previous meeting.** The minutes of the meeting of the Committee held on 10th October 2018, were approved: proposed Dr Reid, seconded Mr Bagley.

4. **Action table and matters arising from the minutes, not elsewhere on the agenda.** The Committee considered the action table attached to the above minutes, noting that all actions had been completed or would be considered at the current or future meetings.

   The Committee received the action table. There were no matters arising from the minutes.

**PART II - Risk management: items for information**

5. **Risk register.** The Committee noted the strategic risk register, which had been presented to the October 2018 meeting of the Audit Committee, was unchanged.
PART III - Internal audit matters: items for information

6. Implementation plan of internal auditors’ recommendations. The Committee noted that the implementation plan presented to the October 2018 meeting of the Audit Committee had recorded that all recommendations had been implemented.

7. Internal audit plan. Mr McCulloch (Audit Director, TIAA Ltd) presented, for information, the draft revised internal audit annual plan 2018/19, noting that it had been amended as agreed at the Committee’s October 2018 meeting i.e. the 2-day treasury management review had been removed from the plan, with the 2 days allocated to the cyber crime review and the academic quality reviews.

The Committee noted that it had been agreed at the Committee’s October 2018 meeting that the amended internal audit plan 2018/19 should be recommended to the Board of Governors for approval.

PART IV - External audit matters: items for consideration

8. Members’ Report & Financial Statements for y.e. 31.7.18. Members noted that, under its terms of reference the Committee’s remit included: considering elements of the annual members’ report and financial statements in the presence of the external auditors, including the auditors’ formal opinion, the statement of members’ responsibilities and the statement of internal control, in accordance with the funding council’s accounts directions; and recommending the annual financial statements to the Board of Governors for approval.

The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey, presented to the Committee the draft Members’ Report and Financial Statements for the year ended 31st July 2018.

Members noted that:

• The outturn for the financial year stated in the financial statements was unchanged from that included in the July 2018 management accounts presented to the Board of Governors at its October 2018 meeting;

• The accounts have been produced with reference to the Accounts Directions issued by the Office for Students (OfS), including new requirements relating to remuneration disclosures;

• Where student names had been included in the list of student achievements in the Members’ Report, individuals had been asked to contact the University if they wished their names to be removed and none had objected to their inclusion in the report;

• The approved and signed version of the Members’ Report and Financial Statements would be placed on the University website;

• Text highlighted in red in the draft Members’ Report and Financial Statements related to the building project due to be completed in late November 2018 and would be amended to reflect post-balance sheet events, if necessary.

Action: PVC Assurance & Director of Finance

In response to members’ questions, it was noted that:
• The University considered that including student achievements in the Members’ Report & Financial Statements demonstrated the value added by the University;
• The depreciation of furniture was 5 to 20 years due to the inclusion of other equipment including machinery in this category;
• Heritage assets were valued at cost and insured separately to an appropriate level;
• The accounting policies had not been changed from the previous year;
• The report would be amended to state that a reference to pension contributions in the Notes to the accounts aggregated employers’ and employees’ contributions;
• A reference to a proposed increase in employers’ contributions to the Teachers Pension Scheme (TPS) had not been included in the Notes to the accounts, as this remained a proposal.

Action: PVC Assurance & Director of Finance

It was noted, in response to members’ questions, that the Pro-Vice-Chancellor Assurance & Director of Finance, would consider:
• The inclusion of a section on student mental health support in the 2018/19 Members’ report;
• Whether there should be a note concerning the increase in designated senior post-holders from 3 to 5 in the 2017/18 Members’ Report and Financial Statements.

Action: PVC Assurance & Director of Finance

Members discussed the statement on page 3 of the Members’ Report that the University had performed well in the 2018 National Student Survey and remained the best independent specialist arts university for overall satisfaction.

The Committee commented positively on the outturn for the financial year stated in the financial statements being unchanged from that included in the July 2018 management accounts, congratulating staff involved.

The Committee considered the Members’ Report and the Annual Financial Statements for the financial year ended 31st July 2018 and agreed to recommend it to the Board of Governors for approval, subject to amendment of typographical errors notified at the meeting; proposed Dr Reid, seconded Mr Fox.

Action: PVC Assurance & Director of Finance/Chair

9. External Auditors’ Management Letter for y.e. 31.7.18. Mr Jones (Audit Director, KPMG LLP UK) presented to the Committee the Audit Highlights Memorandum and Management Letter for the external audit for the year ended 31st July 2018, which were discussed.

The Committee noted that, following resolution of outstanding matters noted below, KPMG currently anticipated stating in their opinion on the financial statements that: they gave a true and fair view of the state of the affairs of the University as at 31st July 2018 and had been properly prepared in accordance with International Financial Reporting Standards (IFRSs); in all material respects, funds from whatever source administered by the University for specific purposes had been applied to those purposes and funds provided by OfS had been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and met the requirements of OfS’ terms and conditions of funding.
Members noted that the following audit matters had been noted as outstanding in the report: management representation letter, final Director review, post balance sheet events review up to the date of signing the opinion, final review of all financial statements, final audit report.

It was noted that the overall financial position was positive, there was nothing arising from the audit which would lead KPMG to conclude that the use of the going concern basis of accounting was inappropriate. With reference to significant risks considered as part of the audit, it was noted that no significant matters were noted as arising in the report from the auditors review of fraud from revenue recognition, capital expenditure (particularly in relation to the building project), or management override of controls.

It was noted that the new build had been flagged as a significant risk in the audit plan. Mr Jones reported that KPMG had reviewed the capital accounting for the new building and obtained assurance that the build costs within assets under construction had been appropriately capitalised and accounted for in the correct accounting period.

Mr Jones reported that KPMG's actuaries had: reviewed the actuarial valuation for the West Yorkshire Pension Fund (which was the pension scheme applicable to the University's support staff); considered the disclosure implications and compared the actuarial valuation to KPMG's internal benchmarks; reviewed the accounts to consider whether the pensions disclosures were appropriate and reviewed the accounting treatment for annual pension charges though the Statement of Comprehensive Income. The Committee noted that overall KPMG considered the assumptions adopted were within its benchmark range, producing a net liability that was within this. It was noted there was nothing of concern in the pension disclosures.

Mr Jones drew members' attention to KPMG's technical update on pensions' issues. Members noted in discussion proposed increases in employer contributions affecting the HE sector and, more generally, the outcome of the recent Lloyds Bank pension equal treatment judgement, which was expected to go to appeal.

Mr Jones confirmed that the following corrections would be made to the final version of the report:

- The reference to pensions liabilities and assets would be amended to correctly reflect the statement at Note 18 to the Financial Statements;
- References to Mr Borley would be corrected to refer to Mr Jones;
- The amendment of the second sentence of the final paragraph on page 25 of the report.

The Committee noted the sections in the report on challenges audit committees would face in the future and on the OfS new regulatory framework.

It was noted in response to members' questions that:

- Appendix 3 on median pay ratios provided benchmarking with reference to the new disclosures required in relation to vice-chancellors' pay;
- The restrictions on the distribution of the report, which were referred to on page 4 of the report, did not prevent the submission of the report to the OfS;
• It was likely that the OfS’s new regulatory framework would require audit committees to review the balance of external assurance and management assurances;
• KPMG had noted that some universities were considering different income streams through partnerships with other institutions;
• The reference to ‘single points of failure’ in the section of the report on challenges for audit committees related, for example, to reliance on an individual for the success of certain courses, external relationships or procedures, with the risk able to be managed through appropriate succession planning.

The Pro-Vice-Chancellor & Director of Finance reported that, as a small institution, the University was aware of the risk of over reliance on particular individuals in key areas (e.g. finance, date quality, enrolment, major projects) and mitigated the risk through a variety of processes e.g. written work procedures, ensuring technology was fit for purpose and kept under review, and that software was regularly updated.

Mr Jones drew members' attention to the HE sector update at the end of the report.

Members reported that they had found the format of KPMG's format useful to readers, noting in particular the summary at Appendix 1 on required communications with the Audit Committee.

The Committee received the external auditors’ Audit Highlights Memorandum and Management Letter for the year ended 31st July 2018, noting that, amended by KPMG as noted above, it would be presented to the Board of Governors as an appendix to the Committee's annual report.

Action: Clerk

PART V - External audit matters II: items for recommendation

10. External auditors’ representation letter. The Audit Committee considered the annual letter of representation to the external auditors. Mr Jones, of KPMG, confirmed that the wording of the letter was unchanged from the previous year. It was noted in response to members' questions that the wording of the letter (e.g. concerning litigation and liabilities) was considered sufficient to cover issues relating to the new build.

The Committee agreed to recommend the letter of representation to the external auditors, KPMG, to the Board of Governors: proposed Mr Reid, seconded Mr Bagley.
Action: Chair

PART VI - Annual reports I: items for consideration

11. Annual Data Quality report. The PVC Assurance & Director of Finance presented the University's Data Quality report 2017/18, which was considered.

The Committee noted that the OfS Terms and Conditions of Funding for Higher Education Institutions required audit committees of all HEIs to give, as part of their annual opinion, assurance over the ‘data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE, the OfS, Research England and other bodies’.
Members noted that:

- The University's Data Quality Report 2017/18 had been prepared by summarising the steps that the University had taken to assure itself of data quality;
- The University's agreed approach to data quality assurance comprised 3 areas i.e. a data return schedule, self-assessment questionnaires, and detailed commissioned reports;
- Each staff member with responsibility for a return signed a data self-assessment questionnaire (which included details of training undertaken) which was presented to the University's senior management team (SMT) as part of the review which led to the compilation of the University's annual Data Quality Report;
- All deadlines for HESA, HEFCE and OfS returns had been met;
- The internal auditors had undertaken an assurance review of Student Application Data as part of the 2017/18 internal audit plan, which had received Substantial Assurance, with no recommendations arising from the review;
- The external auditors had considered student data as part of their 2017/18 audit work, with no material concerns being noted.

The Committee received the University's 2017/18 Data Quality report, noting that the report concluded there were no material concerns regarding the management and quality assurance of data submitted to HESA, SLC, HEFCE, OfS and other funding bodies which the University's SMT wished to draw to the attention of the Committee.

**PART VII - Committee matters: items for approval &/or recommendation**

12. **Annual report against the HE Code of Governance & Statement of Primary Responsibilities.** The Clerk reported that the Board of Governors had adopted the Committee of University Chairs (CUC’s) *Higher Education Code of Governance* (2014) (the Code) from 1 August 2015.

Members considered the year-end report against the Code and against the accompanying *Statement of Primary Responsibilities* for 2017/18. It was noted that the Code had been premised on an ‘apply or explain’ basis (i.e. a governing body must explain where it considered a whole primary element or supporting ‘must’ statement inappropriate), with the ‘should’ statements (which illustrated the activities that would normally be conducted in order to achieve the ‘musts’ outlined under each primary element) and illustrative practice examples not subject to the ‘apply or explain’ principle.

The Committee noted that the table reporting on Primary Elements 1-4 and 6-7 of the Code indicated that the University had applied the Primary Elements (i.e. that it had met or exceeded the requirements of the supporting ‘must’ statements that prescribed essential components within the element), with Primary Element 5 (concerning external activities with significant potential financial or reputational risk) shown in the report as applying to the University only in part. The Committee noted that the table reporting on the Statement of Primary Responsibilities indicated that the Board of Governors had applied the responsibilities in the Statement.

The Committee agreed that the reference to the Chair of the Audit Committee as Senior
Independent Governor at section 3.11 of the report against the Code was incorrect and should be amended.

Action: Clerk

The Committee approved the amended report for 2017/18 on performance against the HE Code of Governance & Statement of Primary Responsibilities, noting that the report formed part of the Board of Governors’ annual review of its own effectiveness, and agreeing that the full report, amended as agreed above, should be placed on the University website in accordance with the Board of Governors’ policy on transparency.

Action: Clerk

The Committee agreed that a summary version of the report against the Code and the report against the Statement of Primary Responsibilities should be presented to the Board of Governors’ November 2018 meeting: proposed Dr Reid, seconded Professor Cullen.

Action: Chair

13. Audit Committee draft Annual Report. Members considered the final draft of the Audit Committee report for 2017/18, which incorporated the amendments agreed at the October 2018 meeting of the Committee and had also been updated to refer to actions to be completed at the Committee’s current meeting.

The Committee noted that the report included an overall positive opinion i.e. that, reflecting the reports reviewed and assurances received during 2017/18 and to date, the Audit Committee was ‘satisfied that reliance can be placed upon the adequacy and effectiveness of the University’s arrangements for:

- risk management, control and governance,
- economy, efficiency and effectiveness (value for money),
- The management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE, the OfS, Research England and other bodies’.

The Committee approved the final version of the Audit Committee’s 2017/18 report, for submission to the Board of Governors: proposed Dr Reid, seconded Mr Fox.

Action: Chair

PART VIII - Items for information

14. Links to &/or documents from regulators/other outside bodies. Members noted that the OfS, which had become the University’s principal regulator from 1 April 2018, had issued in its Regulatory Notice 2 (March 2018) a list of accountability returns required from universities during 2018/19, which had been considered by the Audit Committee at its October 2018 meeting.

The Clerk reported that shortly after the Audit Committee meeting on 10th October 2018, the OfS had issued a letter outlining revisions to the returns schedule and returns required, including:

- The TRAC(T) return to be approved by an independent committee of the Board of Governors/Chair’s action (under HEFCE’s regime the TRAC return had been approved
by an independent committee of the Board of Governors/Chair’s action and the
TRAC(T) return had been approved by the Vice-Chancellor as Accountable Officer);
• The removal of a requirement for higher education institutions to submit to the OfS a
mandatory Value for Money return and the optional ASSUR return;
• A reduction in the number of assurances required to be given at Part 3 of the OfS’s
Annual Assurance Return for Higher Education Institutions concerning Board of
Governors’ control and management of the charity.

Members noted that Annex D to the OfS letter stated, with reference to the TRAC and
TRAC(T) returns that ‘For the January and February 2019 returns only, where the
timing of the committee meeting makes this approval difficult prior to submission,
the provider can use delegated authority for the chair’s action to confirm compliance
before submitting. Presentation to the committee must then follow after submission.
Responsibility for confirming compliance continues to rest with the committee’.

It was noted that the Annual Assurance Return for Higher Education Institutions to be
submitted to the OfS by 3 December 2018 was signed by the Vice-Chancellor as
Accountable Officer and as a trustee of the charity. The completed return would be
presented to the November 2018 Board of Governors’ meeting before submission to
the OfS.

**Action: PVC Assurance & Director of Finance**

The Committee received the OfS letter dated 16th October 2018 outlining revisions to
the 2018/19 annual accountability returns schedule and the annual assurance return.

15. **Links to &/or documents from regulators/other outside bodies.** Members of the
Committee noted that the Financial Reporting Council had issued a new version of the UK
Corporate Governance Code in July 2018 which was applicable to accounting periods
beginning after 1 January 2019: [https://www.frc.org.uk/news/july-2018/a-uk-corporate-
governance-code-that-is-fit-for-the](https://www.frc.org.uk/news/july-2018/a-uk-corporate-
governance-code-that-is-fit-for-the)

16. **Briefings from auditors: TIAA briefings on (i) Fraud & (ii) Risk Management.** The
Committee received TIAA’s client briefings on fraud and risk management.

**PART IX - Final matters**

17. **Any other urgent items of business.** There was no other business not already on the
agenda.

18. **Risk management.** There were no new items of risk identified at the meeting.

19. **Date of next meeting:** It was noted that the Committee was next scheduled to meet on
Wednesday 20th March 2019 at 3.30pm. The Committee received Mr Bagley’s apologies for
the Audit Committee meeting on 20th March 2019.

**Action: Clerk**

**PART X - CONFIDENTIAL Reserved Matters - for consideration/decision**

20. **Exclusions.** Professor Wonnacott (Vice-Chancellor), Ms S Bailey (Pro-Vice-Chancellor
Assurance & Director of Finance) left the meeting before consideration of the Reserved Matters agenda.

21. Annual meeting of auditors without the presence of management. Mr McCulloch (Audit Director, TIAA Ltd) stated that there was a good level of engagement with all members of staff and the internal audit was a positive process, papers were prepared in advance which meant that the work was completed quickly and thoroughly.

Mr Jones (Audit Director, KPMG), noted that the quality and preparation of documents provided by the University was excellent.

The Committee considered again the importance of succession planning in a small institution which had been considered earlier on the agenda, with particular reference to the leadership of the finance department.

In response to members’ questions concerning best practice at other HEIs, Mr Jones drew members’ attention to the various ways in which other HEIs managed to ensure resilience through partnerships and other groupings e.g. through federations, collaboration in relation to back office functions, sector-wide groups where professionals shared expertise such as the British Universities’ Finance Directors Group. Risk arising from expansion and complexity arising from, for example, the development of research activities/academic ventures/commercial income streams, together with the possibility of invoicing complexity should variable fees be introduced, were discussed. The use of technology by HEIs to provide assurances concerning the student journey was considered and the use of student attendance data as a tool to support pastoral care, including mental health support, was also discussed.

Members discussed how other institutions were managing their pension schemes, with local government scheme contributions and investment strategies being considered in this context.

Mr McCulloch (Audit Director, TIAA) noted that TIAA was due to review best practice arising from its HE audits shortly, the outcome of which would be shared with the University.

Mr McCulloch and Mr Jones left the meeting.

The Vice-Chancellor and the Pro-Vice-Chancellor Assurance & Director of Finance re-joined the meeting.
1. **Apologies for absence.** Apologies were received from Mr D Bagley (Independent Governor & Audit Committee member) and Mr L Fox (Co-opted Audit Committee member).

2. **Declarations of interest.** There were no declarations of interest.

### PART I - Items for information

3. **Minutes of the previous meeting.** As the meeting was an Extraordinary meeting, the minutes of the previous meeting were not due to be considered for approval.

### PART II - External audit matters: items for recommendation

4. **Recommendation on external auditors.** The Pro-Vice-Chancellor (PVC) Assurance & Director of Finance, Ms Bailey, reported that:
   - The University had recently undertaken a mini competition using the Crescent Purchasing Consortium (CPC) framework for external audit services and three suppliers on the framework had submitted bids i.e. KPMG, Mazars and Wylie Bisset;
   - All suppliers on the framework were required to pass a pre-selection questionnaire with pass/fail questions relating to equality and health and safety legislation as well as passing a financial risk assessment to confirm their economic and financial standing together with confirmation of insurance held;
   - The two highest scoring suppliers (KPMG and Mazars) were then invited to a supplier presentation and clarification meeting with the Vice-Chancellor, Pro-Vice-Chancellor Assurance & Director of Finance and Procurement Consultant before the final scores were agreed;
   - The evaluation was concluded by populating an evaluation template with the scores for each supplier against the evaluation criteria, the main evaluation weightings for
the tender were set at a 60%/40% split, with 40% cost and 60% quality with an additional 10% awarded for supplier presentations;
• Upon completion of the tender evaluation process, KPMG had scored more highly than the other 2 tenderers;
• KPMG had therefore been identified as the preferred supplier for external audit services.

The PVC Assurance & Director of Finance noted that KPMG were the University’s existing provider of external audit services and reported that, although not the most competitive bidder on cost, the panel had recognised KMPG’s strong credentials in the higher education market place and the significant additional value that they could provide as a result.

[Confidential minute]

The Vice-Chancellor, Professor Wonnacott, joined the meeting.

[Confidential minute]

The Audit Committee approved, for recommendation to the Board of Governors, the appointment of KPMG as the University’s supplier for external audit services: proposed Dr Reid, seconded Professor Cullen.

Action: Chair

PART III - Internal audit matters: items for recommendation

5. Recommendation on internal auditors. The Pro-Vice-Chancellor Assurance & Director of Finance reported that:
• The University had recently undertaken a mini competition using the CPC framework for internal audit services and five suppliers on the framework had submitted bids i.e. TIAA, RSM, Audit One, Haines Watts (HWCA) and Wylie Bisset;
• All suppliers on the framework had been required to pass a pre-selection questionnaire with pass/fail questions relating to equality and health and safety legislation as well as passing a financial risk assessment to confirm their economic and financial standing, together with confirmation of insurance held;
• The three highest scoring suppliers (TIAA, HWCA and Wylie Bisset) had then been invited to a supplier presentation and clarification meeting with the Vice-Chancellor, Pro-Vice-Chancellor Assurance & Director of Finance and Procurement Consultant before the final scores had been agreed;
• The evaluation had been concluded by populating an evaluation template with the scores for each supplier against the evaluation criteria, the main evaluation weightings for this tender were set at a 60%/40% split with 40% cost and 60% quality with an additional 10% awarded for supplier presentations;
• Upon completion of the tender evaluation process HWCA (Haines Watts Controls and Assurance) had scored more highly than the other tenderers and had therefore been identified as the preferred supplier for internal audit services.

[Confidential minute]
Members noted that, if TIAA Ltd should not be re-appointed as internal auditors for 2019/20, TIAA would still attend the March and June 2019 Audit Committee meetings and would provide an annual internal audit report on the 2018/19 audit.

The Audit Committee approved, for recommendation to the Board of Governors, the appointment of HWCA as the University’s supplier for internal audit services: proposed Professor Cullen seconded Dr Reid.

Action: Chair

6. Discussion concerning TIAA audit 2018/19. The Pro-Vice-Chancellor Assurance & Director of Finance presented to the Committee a proposed amendment to the 2018/19 internal audit plan for recommendation to the Board of Governors.

The Audit Committee noted in discussion that:

- The approved 2018/19 internal audit plan had included 3 days to be allocated to a Health & Safety review which would consider arrangements in place for managing health and safety at the University, including a review of policies, training, communication, reporting, compliance and recording;
- The University was, however, currently employing an external consultant to carry out a full health and safety review which could result in changes to the University’s policies and practice;
- As a result, it appeared to be appropriate to defer the 2018/19 internal audit Health & Safety review so that the implementation of any recommendations arising from the consultant’s review could be considered by the internal auditors.

The Committee reviewed scheduled audits for 2018/19 and 2019/20 included in the internal audit strategy approved by the Board of Governors.

The Audit Committee agreed to recommend to the Board of Governors that the 3-day Health & Safety internal audit review, scheduled as part of the 2018/19 internal audit, should be deferred to 2019/20 and that the 3-day Bursaries and Learner support review, scheduled for 2019/20, should be included in the 2018/19 internal audit plan.

ACTION: Chair

PART IV - Final matters

7. Any other urgent items of business. There was no other business.

8. Risk management. No new items of risk were identified at the meeting.

9. Date of next meeting. It was noted that the Committee was next scheduled to meet on Wed. 20\textsuperscript{th} Mar. 2019 at 3.30pm
AUDIT COMMITTEE
Minutes of a meeting of the Audit Committee
held on Wednesday 20th March 2019

Present: Mr J Finnigan (Independent Governor & Audit Committee Chair),
Dr D Reid Independent (Governor & Audit Committee Vice-Chair), Professor P Cullen (Co-opted Governor with experience in
the provision of education and Audit Committee member) and Mr L Fox (Co-opted Audit Committee member).

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms J Hearnshaw (Secretary to the Vice-Chancellor), Professor Wonnacott (Vice-Chancellor), Ms S Bailey (Pro-Vice-Chancellor Assurance &
Director of Finance).

1. **Apologies for absence.** Apologies were received from Mr D Bagley (Independent Governor & Audit Committee member) and Mr P Harrison (Audit Director, TIAA Ltd, Internal Auditors).

2. **Declarations of interest.** There were no declarations of interest.

**PART I - Items for decision**

3. **Minutes of the previous meeting.** The minutes of the meeting of the Committee held on 14th November 2018, were approved following the amendment of the penultimate paragraph of minute 9 which should read ‘Members reported that they had found the format of KPMG’s report useful to readers, noting in particular the summary at Appendix 1 on required communications with the Audit Committee’: proposed Dr Reid, seconded Professor Cullen.

*Action: Clerk*

4. **Action table and matters arising from the minutes, not elsewhere on the agenda.** The Committee considered the action table attached to the above minutes, noting that all actions had been completed, with the exception of 2 actions which had a completion date of autumn 2019.

The Committee received the action table. There were no matters arising from the minutes.

**PART II - Risk management: items for consideration**

5. **Risk register.** The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey, reported that the University’s senior management team (SMT) had reviewed and
updated the University’s strategic risk register, resulting in the following changes being made:

- Following the completion of the new build risk 29 (Failure to complete build) had been removed and the post control rating for risk 4 (Investment programme and management of resources) had been reduced;
- At Risk 7 (Failure to comply with relevant legislation), the post control rating had been increased due to recent Health & Safety issues;
- Following discussion at the Audit Committee, risks 22 (Competitive environment) and risk 23 (Inability to achieve strategic aims) had been removed as the risks were covered elsewhere on the risk register;
- Risk 32 (Compliance and reputational) was noted to include risks relating to the Office for Students (OfS) registration, although this would be kept under review as the requirements of the OfS become clearer.

In response to members’ questions, it was noted that, in order to retain an audit trail, the register was not re-numbered when a risk was removed but that in future the number could be retained with a note showing that the risk had been deleted.

The Committee received the University’s revised risk register.

**PART III - Internal audit matters: items for consideration**

6. **Internal audit: progress & implementation plan.** The Committee noted that the implementation plan had been presented to the Oct. 2018 meeting, and had recorded that all recommendations had been implemented.

7. **Internal audit: Block 1 reports.** The Committee considered the following reports arising from the reviews undertaken in Block 1 by the internal auditors TIAA Ltd.

   (i) **Student Records - Assessments**
   (ii) Members considered the report arising from the 'Student Records - Assessments' review, noting that:
   - The review had considered the adequacy and effectiveness of the key controls over the student assessment process including; consistency of assessment applied, data records and reporting;
   - The Student Records Assessments review had resulted in an overall assurance assessment of Substantial assurance, with no recommendations arising from the review.

   The Committee noted that the report's overall narrative conclusion was that:
   - Annual training was provided to Academic and Administration staff in relation to the marking processes and criteria to be applied;
   - A series of internal checking exercises were carried out by the Administration Team and the Academic Registrar to ensure the marks recorded were accurate;
   - Testing carried out showed that the marks awarded had been correctly recorded and appropriate feedback had been provided to students.

   In response to Governors' questions, it was noted that:
   - There were parameters set to ensure marking was fair and robust, which had been reviewed by the Higher Education Quality & Standards (HEQAS) Committee during 2018/19;
   - Second marking and group marking were used;
   - Ensuring that students understood the University's marking system appeared to
have resulted in a reduction in the number of academic appeals;
- Where students were assessed as part of a group, the brief made them aware of how the project would be assessed;

It was noted in response to members' questions that trends in degree classification had not been considered as part of the review, which was a process orientated rather than a longitudinal study. Members noted that degree classification had, however, been discussed at the January 2019 Board of Governors' meeting, with it being noted that:
- The University awarded a slightly lower number of first class degrees compared to peer institutions but a slightly higher number of combined first and second class degrees;
- Degree classification at the University involved high levels of scrutiny, including external examiner scrutiny, in relation to marking and moderation (including no discretions in marking where cases were borderline) and there had been no change in the relevant algorithms.

Members noted in discussion that, in addition to recording the positive outcome arising from the review, the report clearly outlined the University's assessment processes (including the new thematic marking system), which was useful to readers.

(ii) Governor Recruitment and Training
Members noted that:
- The review considered the approach and methods used to recruit Governors and the subsequent induction and training provided by the University to assist in each Governor effectively discharging his/her duties;
- The review had not included an assessment of the effectiveness of Governors appointed;
- The Appraisal Review of Governor Recruitment and Training had resulted in an overall assurance assessment of Substantial assurance, with no recommendations arising from the review but with one operational effectiveness action which related to the development of a Black, Asian & Minority Ethnic (BAME) Governor recruitment strategy.

The Committee noted that the report's overall narrative conclusion was that:
- The University placed appropriate importance on the recruitment and training of its Governors;
- Robust policy and procedures were in place to direct the processes required;
- Induction and ongoing training was well informed through the regular use of Governor skills reviews;
- Succession planning was well monitored to ensure that the most appropriate recruitment route is selected in a timely manner;
- Detailed oversight from the Search and Nominations Committee (SNC) had been seen during the review.

With reference to the operational effectiveness action, members noted that the SNC had reviewed the action at their meeting on 27th February 2019, as stated in the Management Comments section, noting that:
- BAME representation on the Board of Governors was 6.25% in 2017/18 and in 2018/19 to date, which was above the comparable percentage for staff of 5.4% in 2018 below that for students i.e. with the comparable percentages being 9% for undergraduates, 8% for postgraduates and 11% for FE students (excluding international students), with the overall percentage including international students being 14%.
In response to Governors' questions, it was noted that:

- While the review had not included an assessment of the subsequent quality or performance of the appointed Governors, the Board of Governors had a process for the review of individual Governor performance, including one-to-one feedback and development sessions with the Chair of the Board of Governors;
- The report had recorded that the SNC reviewed Governor skills and expertise at appointment and re-appointment using a Red-Amber-Green (RAG) rated skills matrix and considered individual Governor attendance at Board meetings and training sessions;
- The SNC was considering during 2018/19 actions which could be taken to improve Governor attendance at training and development sessions and attendance was considered as part of the one-to-one feedback and development sessions with the Chair of the Board of Governors.

The Committee agreed that the Clerk should ask the internal auditors whether it would be possible for the final version of the report to be amended to:

- Add the following sentence to the Management Comments section on page 3 of the report to reflect the discussion of the operational effectiveness action at the February 2019 SNC meeting 'It was agreed at the Search & Nominations Committee meeting held on 27th February 2019 that the Committee would continue to ensure that there was no bias in Governor recruitment and that equality and diversity in Governor recruitment would continue to be an agenda item at each meeting of the Committee';
- To note at para. 11.10 on page 7 of the report, that the percentage of Black, Asian, and Minority Ethnic (BAME) Governors noted at the SNC's October 2018 meeting was currently below the relevant percentages for students but slightly above the relevant percentage for staff.

Action: Clerk

The Committee received the report arising from the ‘Governor Recruitment and training’ review.

The Committee received the internal audit block 1 reports for 2018/19 and thanked the internal auditors, TIAA Ltd, and the University's staff that have been involved in the two reviews.

PART VI - Financial matters: items for consideration

8. Transparent Approach to Costing (TRAC) Statement of Requirements & TRACT (T) returns. The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey, presented the Transparent Approach to Costing (TRAC) statement of requirements and the TRAC (T) returns.

Members noted that:

- HE institutions (HEIs) reported to the Office for Students (OfS) on the costs of their activities under the TRAC system and provided information on the subject related costs of OfS fundable provision via the TRAC (T) system;
- At its November 2018 meeting, the Board of Governors had delegated responsibility for the review of the Statement of Requirements Compliance and the tests of reasonableness for TRAC and TRAC (T) to the Chair of the Audit Committee under Chair’s action;
- Where approval was delegated to the Chair of the Audit Committee before
submission to the OfS, the latter required presentation of the returns to the Audit Committee after submission and had confirmed that responsibility for confirming compliance continues to rest with the Committee.

The Committee noted that the Chair of the Audit Committee, Mr Finnigan, had reviewed the Statement of Requirements and the results compared to the prior year and had discussed the process for preparing the TRAC and TRAC (T) returns and the tests of reasonableness with the Pro-Vice-Chancellor Assurance & Director of Finance in January 2019; this had included a review of drivers of costs, internally funded research and movements since the last TRAC return as well as a walk through discussion on the process of preparing the TRAC (T) return. Mr Finnigan, as the Chair of the Audit Committee confirmed that the requirements had been met, with a report having been presented to the Board of Governors’ January 2019 meeting and the current report being made to the Audit Committee to meet the OfS’s requirements.

Members noted in discussion that the OfS’s current guidelines were that Board of Governors’ delegation for the review of the Statement of Requirements compliance and the tests of reasonableness for TRAC and TRAC (T) to the Chair of the Audit Committee would not be permissible from 2018/19 i.e. that this would have to be undertaken by an independent committee of the Board of Governors.

The Committee received and confirmed compliance in relation to the TRAC Statement of Requirements & TRACT (T) returns, which had been confirmed under Chair’s action in January 2019: proposed Dr Reid, seconded Professor Cullen.

**PART VII - Governance matters: item for review**

9. **HEFCE charity guidance checklist.** The Committee undertook its annual review of its HEFCE charity guidance checklist, noting that until 31st March 2018 HEFCE had been the principal regulator of HEIs which were exempt charities. The checklist has been compiled by the Clerk with reference to Annex E (Exempt Charities) to HEFCE’s Accountability & Assurance Memorandum 2016/12 (Aug. 2016) which set out HEFCE’s main requirements relating to the monitoring of exempt charities. From 1st April 2018 the OfS became the principal regulator for HEIs that were exempt charities. While the OfS had not included a section on exempt charities in its *Terms & Conditions of Funding for Higher Education Institutions*, it had issued general guidance in May 2018 i.e. *Regulatory Note 5: Exempt Charities* (OfS 2018.23)

The Committee reviewed the draft checklist for 2017/18, noting that it showed that the University had complied with HEFCE’s exempt charity monitoring requirements in 2017/18.

The Committee approved the HEFCE charity guidance checklist 2017/18 for signing by the Chair of the Audit Committee: proposed Mr Reid, seconded Prof. Cullen.

*Action: Chair*

10. **2017/18 HE Governance Code report: review of illustrative practice examples shown as non-applicable & update.** The Clerk reported that a year-end report against the CUC’s *Higher Education Code of Governance* (revised version issued in 2018) and against the accompanying *Statement of Primary Responsibilities (the Statement)* for 2017/18 had been approved at the Audit Committee’s November 2018 meeting and placed on the University website. Members had noted that the report on Primary Elements 1-4 and 6-7 of the *Code* had indicated that the University had applied the Primary Elements (i.e.
that it had met or exceeded the requirements of the supporting ‘must’ statements that prescribed essential components within the element), with Primary Element 5 (The governing body works with the Executive to be assured that effective control and due diligence take place in relation to institutionally significant external activities) shown in the report as applying to the University only in part, as the University had few significant external activities of the type listed.

The Audit Committee had previously agreed that sections in the Code table shown as not applicable to the University or not reflected in its current practice should be a standing item for each meeting.

An updated report on the above sections in Primary Element 5 (showing no changes since November 2018) was considered with the following additional updates for information:

- A note on section 3.14 (Remuneration Committee) which highlighted the wording applicable to 2017/18 and 2018/19, showing changes to the requirements relating to Committee membership and chairing in 2018/19, with which the University was already compliant;
- An expansion of the section on fundraising reporting in the Evidence/Comments column at section 5d;
- An update on section 7.12, which noted that the next Board of Governors’ effectiveness review was due for completion in spring 2019 (revised date) to permit a report on the outcome to be presented to the June 2019 Search & Nominations Committee meeting.

The Committee approved the update to the report against the CUC’s Higher Education Code of Governance (revised version issued in 2018) and against the accompanying Statement of Primary Responsibilities (the Statement).

**PART VIII - Documents for information**

11. **Auditor’ technical updates.** The Committee considered an All Sector Fraud Alert 0012 18/19 (Evolution of Phishing) briefing note provided by the internal auditors, TIAA Ltd.

It was noted in response to Governors’ questions, that: the University had a robust process for identifying potential fraud; fraud, including phishing, was included in training and relevant TIAA briefing notes and British University Finance Directors (BUFDG) group briefings were shared with members of the finance team.

The Committee received TIAA’s All Sector Fraud Alert 0012 18/19.

12. **Documents/links from the OfS &/or other outside bodies.** The Committee noted the following documents/links from the OfS and other outside bodies:

- *Independent Review of the Financial Reporting Council (FRC) (December 2018)*
  led by Sir John Kingman;
- *Understanding the impact of income cross-flows on financial sustainability in the UK higher education sector* (February 2019).

**PART IX - Final matters**

13. **Any other urgent items of business.** There was no other business not already on the agenda.
14. **Risk management.** There were no new items of risk identified at the meeting.

15. **Date of next meeting.** It was noted that the Committee was next due to meet on Wednesday 5th June 2019 at 3.30pm

### PART VII - Reserved Matters - for decision

16. **Exclusions.** There were no exclusions.

17. **Reserved matters minutes.** The confidential Reserved Matters minutes of the meeting of the Committee held on 14th November 2018 were approved: proposed Professor Cullen, seconded Mr Fox.

18. **Action table and matters arising from the minutes, not elsewhere on the agenda.** The Committee considered the action table attached to the above minutes noting that all actions had been completed and agreed that the status column for the second action should be amended to read: 'The amended 2017/18 internal auditors’ performance checklist had been signed by the Chair of the Audit Committee at the Nov. 2018 Audit Committee meeting'.

   **Action: Clerk**

19. **External auditor’s performance checklist.** The Clerk presented to the Committee the external auditor performance checklist 2017/18, which had been drafted to include the responses previously agreed by the Committee, together with updating changes.

   The Committee agreed that the checklist should be amended to state that: there were no recent or current litigation cases against the firm that were 'directly relevant' to the University (Question A.1, part 2); the 'University' went out to tender (Question C.4).

   **Action: Clerk**

   The External auditor’s performance checklist was approved, with the above amendments, with it being agreed that the Chair of the Audit Committee should sign the amended checklist: proposed Dr Reid, seconded Professor Cullen.

   **Action: Clerk/Chair, Audit Committee**

20. **Extraordinary Audit Committee minutes.** The confidential Extraordinary Audit Committee minutes of the meeting of the Committee held on 27th February 2019 were approved: Dr Reid, seconded Professor Cullen.

21. **Action table and matters arising from the minutes, not elsewhere on the agenda.** The Committee considered the action table attached to the above minutes noting that all actions had been completed or would be considered at the current or future meetings.

22. **Any other urgent items of business arising from the Reserved Matters agenda.** There were no other urgent items of business arising from the Reserved Matters agenda.

23. **Risk management (Reserved Matters agenda).** There were no new items of risk identified.
AUDIT COMMITTEE
Minutes of a meeting of the Audit Committee held on Wednesday 5th June 2019

Present: Professor P Cullen (Co-opted Governor with experience in the provision of education and Audit Committee member), Mr J Finnigan (Independent Governor & Audit Committee Chair), Mr L Fox (Co-opted Audit Committee member) and Dr D Reid Independent (Governor & Audit Committee Vice-Chair).

In attendance: Ms S Bailey (Pro-Vice-Chancellor Assurance & Director of Finance), Mrs F Bagchi (Clerk to the Board of Governors), Ms J Hearnshaw (Secretary to the Vice-Chancellor), Mr R Jones (Audit Director, KPMG LLP UK, External Auditors), Mr A McCulloch (Audit Director, TIAA Ltd, Internal Auditors) and Professor Wonnacott (Vice-Chancellor).

1. Apologies for absence. Apologies were received from Mr D Bagley (Independent Governor & Audit Committee member).

2. Declarations of interest. There were no declarations of interest.

PART I - Items for decision

3. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 20th March 2019, were approved: proposed Mr Fox, seconded Dr Reid.

4. Action table and matters arising from the minutes, not elsewhere on the agenda. The Committee considered the action table attached to the above minutes, noting that all actions had been completed, with the exception of 2 actions which had a completion date of autumn 2019 and one action that would be considered later on the agenda. There were no other matters arising from the minutes.

PART II - Risk management: items for consideration

5. Risk register. The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey reported that the University’s strategic risk register had not been changed since it was reviewed by the Audit Committee on the 20th March 2019.

Members discussed whether any risks arising from The Independent panel report to the Review of post-18 education & funding (May 2019) (the Augar review) should be added to the risk register. The Pro-Vice-Chancellor Assurance & Director of Finance reported that possible risks should already be covered by the section in the register relating to risks arising from changes in government policy but this would be kept under review.
The Committee received a report from the Pro-Vice-Chancellor Assurance & Director of Finance on the risk register.

**PART III - Internal audit matters: items for consideration**

6. **Implementation plan of auditors' recommendations.** Members noted that there was no update to be received, with the Committee's March 2019 meeting having noted that all recommendations arising from the 2017/18 internal audit and the Block 1 2018/19 had been implemented.

Mr McCulloch (Audit Director, TIAA Ltd, Internal Auditors), presented the TIAA Follow Up report, noting that all recommendations arising from reviews undertaken in 2017/18 had been implemented, as had the action from the estates property compliance review in 2016/17 (May 2017). There were no outstanding actions.

The Committee received an update on the implementation of the internal auditors' recommendations.

**PART III - Internal audit matters: items for consideration (continued)**

7. **Internal audit: Block 2 reports.** The Committee considered the following reports arising from the reviews undertaken in Block 2 by the internal auditors TIAA Ltd.

(i) **Assurance review of bursaries & learner support**
Members noted that:
- The review had considered the adequacy and effectiveness of the key controls over the Bursaries and Learner Support arrangements;
- The assurance review of bursaries & learner support had resulted in an overall assurance assessment of reasonable assurance, with 3 recommendations graded as ‘important’ (the second highest grade on a 3 point scale) arising from the review
- The overall conclusion of the report was that the University had adequate arrangements for the bursary and learner support awards, which could, however, be further strengthened;
- Recommendations included the need for processes adopted by the Welfare Support Team for the assessment and award process to be documented, improving transparency by recording the justification for the award given, amending the HE Hardship Fund application form to make it clear how accommodation costs were considered as part of the eligibility criteria.

Governors discussed and endorsed the recommendations, noting the importance of documentation in ensuring an appropriate audit trail.

In response to Governors questions it was noted that:
- GDPR compliance had not been considered as part of the bursaries and learner support review but had been reviewed separately as part of the ICT review of GDPR compliance;
- 2 of the recommended actions had already been implemented and the third had an implementation date of August 2019.

(ii) **ICT review of network security & cybercrime**
Members noted that:
- The review had considered the arrangements for the physical and access
security of hardware and software and had also considered the proactive measures that the University had put in place to minimise the risk of a cyber-security event;

- The ICT review of network security & cybercrime had resulted in an overall assurance assessment of reasonable assurance and the report's overall conclusion was that the University had robust arrangements for the Network and Cyber Security of its ICT infrastructure, which could however, be further strengthened;

- There were 3 recommendations arising from the review [Confidential minute];

- All recommendations had been agreed with management.

[Confidential minute]

Members discussed the report with reference to recent news reports relating to cyber attacks on universities.

[Confidential minute]

(iii) Assurance review of Academic quality – course approval & periodic review

Members noted that:

- The review had considered the processes and controls operating for the design, development and approval of courses and had also considered the periodic review processes including input from externals;

- The Assurance review of Academic quality had resulted in an overall assurance assessment of substantial assurance, with no recommendations arising from the review;

- The report's overall conclusion was that the University had in place appropriate and detailed processes for ensuring the academic quality of courses, directed by a comprehensively documented Quality Handbook.

Members discussed, with reference to the report, the University's periodic review cycle.

The Committee noted that this was the first full review of academic quality to be undertaken since the University had obtained TDAP and its conclusions would be taken into account when the Board of Governors provided assurance on the student academic experience and student outcomes in its annual return to the OfS.

(iv) ICT review of GDPR compliance

Members noted that:

- The review had assessed compliance with the key General Data Protection Regulation (GDPR) elements of privacy impact assessments, data subject rights, data classification and asset management, data security and breach management, governance and consent, data controllers and processors;

- The review had resulted in an overall assurance assessment of substantial assurance and the report's overall conclusion was that the University had successfully implemented its GDPR compliance project, however, some areas required review;

- There were 3 recommendations graded as 'routine' (the lowest grade on a 3 point scale) and 1 operational effectiveness action point arising from the review;

[Confidential minute];

- All 3 recommendations had been agreed with management;
Members discussed University policy in relation to the retention of data records.

The Committee received the Block 2 reports arising from the 2018/19 internal audit. The Chair of the Audit Committee, Mr Finnigan, thanked TIAA for their work and staff for their participation, congratulating staff on the outcome of the academic quality and the GDPR compliance reviews in particular.

**PART IV - external audit matters: items for consideration**

8. **External auditor independence: annual report on non-audit work undertaken by the external auditors.** The Committee received the policy on using external auditors for non-audit services, noting it had last been reviewed by the Audit Committee in June 2018.

The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey presented the annual report on non-audit work undertaken by the external auditors, reporting that: the University had spent £1,664.40 on non-audit fees with KPMG in 2018/19; the work undertaken related to the University’s S33 claim to the Department for Culture, Media and Sport (DCMS) to enable it to reclaim VAT incurred in relation to the University Gallery; the DCMS had requested further information, which had been provided, and the University was awaiting the outcome of the submission.

The Committee received the University's annual report on the independence of the external auditors.

**PART V - external audit matters: items for approval or recommendation**

9. **KPMG engagement letter.** Mr Jones (Audit Director, KPMG LLP UK, External Auditors), presented to the Committee the letter of engagement from KPMG, which it was noted had previously been circulated to Audit Committee members for queries and comments.

The Committee reviewed the letter of engagement and approved it for signing by the Chair of the Audit Committee on behalf of the Board of Governors: proposed Dr Reid, seconded Mr Fox.

**Action: Chair**

10. **KPMG: audit plan & strategy for the year ending 31.7.19.** Mr Jones (Audit Director, KPMG LLP UK, External Auditors), presented the audit plan and strategy for the external audit for the financial year ending 31st July 2019.

It was noted that:
- The document described KPMG’s overall strategy and scoping, its approach to materiality and identified the significant risks and areas of focus to be addressed by the audit;
- The audit’s main purpose was to issue a report which expressed KPMG’s opinion on whether the financial statements gave a true and fair view of the state of the affairs of the University as at 31st July 2019, whether they had been properly prepared in accordance with United Kingdom accounting standards (including FRS102) and with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, and whether they met the requirements of the OfS Accounts direction to higher education institutions for the 2018/19 financial statements.
The Committee noted that KPMG’s risk assessment drew on its knowledge of the education sector and the economic environment within which the University operated with the following areas deemed areas of significant risk in relation to the 2018/19 audit: pension liability; revenue recognition; risk of management override of controls. Other areas of audit focus identified included overall financial position and going concern; use of funds/regularity; new build capital accounting.

The Committee noted with reference to materiality (i.e. the level at which KPMG considered misstatements would reasonably influence users of the University’s financial statements) that:

- Revenue was forecast at £20.7 million (2018: £18.6 million);
- Materiality for the financial statements as a whole had been set at £0.4 million, which was 1.9% of revenue (2018: £0.3 million, 1.6% of revenue).

It was noted in response to members’ questions as to whether users, including Governors and external users, would consider the proposed level of materiality reasonable, that materiality had been increased for 2018/19 as a result of lower risk following completion of the University’s capital project.

The Committee noted that: there would be continuous communication throughout the audit by the engagement lead and senior manager; details of the audit team had been included in the plan; the audit cycle was in line with previous years and had been discussed with the Pro-Vice-Chancellor Assurance & Director of Finance; fees were as agreed as part of the tender process.

It was noted in response to members’ questions that:

- KPMG was required to give an opinion on whether the University’s use of funds provided by the OfS had been applied in accordance with the terms and conditions of funding;
- KPMG had a developed a bespoke regularity programme to ensure compliance with OfS requirements, and in addition would ascertain whether in all material respects funds had been used for the purposes given (including donations and all sources of grant funding), with reporting by exception.

The Committee reviewed the audit plan and strategy for the year ending 31st July 2019 and agreed to recommend it to the Board of Governors for approval, subject to clarification (and amendment, if necessary) of the figure for the ratio of non-audit fees to audit fees on page 26 of the plan and strategy: proposed Dr Reid, seconded Mr Fox.

**Action KPMG/Chair**

**PART VI - Governance matters**

11. **HE Governance Code report: review of illustrative practice examples shown as non-applicable.** Committee members noted that the report remained as presented to the Committee’s March 2019 meeting.

**PART VII - Committee matters: item for review, approval or recommendation**

12. **Audit Committee’s terms of reference: annual compliance review.** The Committee reviewed the draft compliance report for 2018/19 against the Audit Committee’s terms of reference.

Members considered the wording of responsibility C.d) of the Committee’s terms of reference checklist i.e. ‘Considering and advising the Board of Governors on the..."
appointment and terms of engagement of the internal audit service (and the head of internal audit if applicable), the audit fee, the provision of any non-audit services by the internal auditors, and any questions of resignation or dismissal of the internal auditors’. Mr McCulloch of internal auditors TIAA Ltd reported that where, for example, help with a piece of software had been provided by TIAA, to ensure the independence of the internal audit service, this had been undertaken by a separate division within TIAA under a separate letter of engagement.

The Committee agreed that the final sentence of the response to Audit Committee responsibility C.d) should read ‘It is not envisaged that internal auditor would be involved in providing any non-audit services, but in the event that they are, exceptionally, invited to do so, ensuring this does not undermine the control environment of the institution’.

Action: Clerk

The Committee agreed that the Clerk should review and investigate the source of the wording of Audit Committee responsibility C.d) (e.g. whether it derived from the OfS Audit Code of Practice or Committee of University Chairs’ guidance) and report to the Committee.

Action: Clerk

The Committee approved the Audit Committee’s terms of reference compliance checklist 2018/19, amended as noted above, and agreed that it should be signed by the Chair of the Audit Committee: proposed Dr Reid, seconded Professor Cullen.

Action: Chair

13. Terms of reference for a proposed TRAC sub-committee. The Clerk to the Board of Governors reported that:

- The University, as an HE provider, reported to the Office for Students (OfS) on the costs of their activities under the Transparent Approach to Costing (TRAC) system and provide information on the subject related costs of OfS fundable provision via the TRAC (T) system;
- Annex D of the OfS accountability returns schedule stated that both the TRAC and the TRAC(T) return had to be approved by an independent committee of the Board of Governors e.g. the Audit Committee;
- In November 2018, the Board of Governors had delegated responsibility for the review of the Statement of Requirements Compliance and the tests of reasonableness for TRAC and TRAC(T) to the Chair of the Audit Committee using Audit Committee Chair’s action, as permitted under OfS guidance;
- As use of Chair’s action would not be permitted in future and the TRAC and TRAC (T) submission dates did not coincide with the normal schedule of Audit Committee meetings, it was proposed that a TRAC sub-committee should be established which would meet annually before the TRACT and TRAC (T) submission dates.

The Committee considered the need to recommend to the Board of Governors, the establishment of a TRAC sub-committee. Members discussed whether it would be possible for the Audit Committee to retain 4 meetings a year and review the TRAC and TRAC (T) returns without the establishment of a sub-committee i.e. by moving the Committee’s spring meeting from March to January. It was noted in discussion that the main purpose of the March Committee meeting was to review the Block 1 internal audit reviews and that it would not be possible to bring these forward to allow the meeting to be moved to January, as the internal audit review timetable was integrated into the University’s annual work cycle.
The Committee agreed that a recommendation on the establishment of a TRAC sub-committee should not be made to the Board of Governors and that an additional Audit Committee meeting on the 22nd January 2020 should, instead, be arranged to allow the Audit Committee to review the Statement of Requirements Compliance and the tests of reasonableness for TRAC and TRAC (T).

Action: Clerk

14. Annual review of Audit Committee terms of reference. The Committee undertook its annual review of its terms of reference, noting that any revisions proposed would have to be recommended to the Board of Governors for approval.

The Committee agreed that the following amendments should be made to the Committee's draft terms of reference for 2019/20:

- Section r) should be amended to read 'Reviewing and approving the University's Annual Transparent Approach to Costing and TRAC (T) returns';
- Proposed new sections s) to u) should be removed.

Action: Clerk

The Committee completed its annual review of its terms of reference and agreed to recommend proposed revisions for 2019/20 to the Board of Governors for approval: proposed Dr Reid, seconded Professor Cullen.

15. Annual review of Audit Committee standing agenda item list. The Committee completed its annual review of its standing agenda item list.

Members noted that:

- Proposed minor updating changes to the standing agenda item list for 2019/20 included changes to reflect the Committee's current practice;
- Some guidance relating to Office for Students (OfS) requirements in 2019/20 had not yet been issued e.g. OfS requirements relating to registration Condition D: Financial viability and sustainability, which was currently expected to be available at the end of June 2019;
- It was therefore possible that, for example, items or the timing of items on the list might have to be varied once further information from the OfS was available.

The Committee agreed that a reference to a proposed TRAC sub-committee should be removed from the Audit Committee’s standing agenda list 2019/20.

Action: Clerk

The Committee approved the Committee’s standing agenda item list 2019/20, amended as noted above, and subject to any changed OfS requirements for 2019/20: proposed Dr Reid, seconded Professor Cullen.

PART VIII - Documents/links for information

16. KPMG financial statements benchmarking report. The Committee considered KPMG's HE Financial Statements benchmarking report 2017/18, which was derived from the 2017/18 financial statements of HE institutions.

Members noted that the University was:

- Below the post-1992 sector average in relation to borrowing as a percentage of income;
- Below the post-1992 sector average in relation to the LGPS employer’s
contribution rate and showed a positive position in relation to the LGPS and total pensions deficit tables.

Members discussed, in particular, the tables relating to sources of income for post-1992 HEIs, including the 'other operating income' category, and the tables relating to basic pay multiples and total remuneration pay multiples.

The Committee received KPMG’s HE Financial Statements benchmarking report 2017/18, noting that it provided a useful overview of the financial position of the HE sector as a whole.

17. **Office for Students (OfS) documents/links.** The Committee received and noted the following documents: an OfS briefing note relating to registration Condition D (Financial viability and sustainability) submissions in 2019; the OfS Terms and conditions of funding 2019-20.

**PART VIII - Documents/links for information (continued)**

18. **OfS annual risk letter.** The Committee noted that the OfS Regulatory Notice 2 (Regulation up to 31 July 2019 of providers that were previously funded by HEFCE) had stated that the annual risk letter that sets out the OfS’s assessment of the provider’s financial sustainability, its management and governance arrangements, and quality and standards matters would be issued in spring 2019 but it had not yet been received to date.

**PART IX - Final matters**

19. **Any other urgent items of business.** There were no new items of business on the agenda.

20. **Risk management.** No new items of risk had been identified at the meeting.

21. **Dates of next year’s meetings.** The Committee agreed the following meeting dates for 2019-20: Wednesday 9th October 2019 at 3.30pm; Wednesday 13th November 2019 at 1.30pm; Wednesday 22nd January 2020 at 3.30pm (TRAC/TRAC (T) meeting); Wednesday 18th March 2020 at 3.30pm; Wednesday 3rd June 2020 at 3.30pm.

**PART X - Reserved Matters**

22. **Exclusions.** To consider any exclusions necessary prior to consideration of the following agenda items.

23. **Reserved Matters: minutes of the previous meeting.** To note that there were no confidential Reserved Matters minutes for approval as the minutes of the Reserved Matters section of the March 2019 meeting of the Committee were in the public domain and had been considered at agenda item 3.

24. **Any other urgent items of business to be considered under the Reserved Matters agenda.** There were no other items to be considered under the Reserved Matters agenda.
AUDIT COMMITTEE
Minutes of a meeting of the Audit Committee held on Wednesday 9th October 2019

Present: Mr D Bagley (Independent Governor & Audit Committee member), Professor P Cullen (Senior Independent Governor and Audit Committee member), Mr J Finnigan (Independent Governor & Audit Committee Chair), Mr L Fox (Co-opted Audit Committee member), Dr D Reid Independent (Governor & Audit Committee Vice-Chair).

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Pro-Vice-Chancellor Assurance & Director of Finance), Ms J Hearnshaw (Secretary to the Vice-Chancellor), Ms S Kockelbergh (Audit Manager, KPMG LLP UK, External Auditors), Mr D Long (HWCA, Internal Auditors), Professor Wonnacott (Vice-Chancellor).

The Chair welcomed Ms Kockelbergh and Mr Long to the meeting.

1. Apologies for absence. Apologies for absence were received from auditors Alison Ormston (Senior Manager, KPMG), Rob Jones (Director, KPMG), Lee Glover (Associate Director, HWCA) and Andy McCulloch (Audit Director, TIAA).

2. Declarations of interest. There were no declarations of interest at the start of the meeting (see minutes 6 and 14 for declarations made during the meeting).

3. Appointment/election of Chair & election of Vice-Chair of the Audit Committee. The Committee noted that the Board of Governors had approved, at its meeting earlier on 9th October 2019, a recommendation from the Remuneration Committee that committee chairs should be appointed by the Board of Governors.

The Committee noted that Mr Finnigan had been appointed as Chair of the Audit Committee for 2019/20 at the Board of Governors meeting held on the 9th October.

The Committee elected Dr Reid as the Vice-Chair of the Audit Committee for 2019/20: proposed Mr Finnigan, seconded Professor Cullen.

PART I - Items for decision

4. Minutes of the previous meeting. The unconfirmed minutes of the meeting of the Committee held on 5th June 2019 were considered with reference to the following proposed amendments:
   • Proposed amendments detailed on the cover sheet attached to the unconfirmed minutes i.e. correction/addition to the text on pages 3, 4 and 7 and the designation of highlighted text on page 4 as confidential;
Further amendments considered at the meeting i.e. removal of a redundant ‘a’ in the second bullet-point of the seventh paragraph of minute 10 and the amendment of references to ‘TRACT’ to ‘TRAC’ in minute 13.

The minutes of the meeting of the Committee held on 5th June 2019, were approved with the amendments noted above: proposed Dr Reid, seconded Mr Fox.

Action: Clerk

5. Action table and matters arising from the minutes, not elsewhere on the agenda. The Committee considered the action table attached to the above minutes, noting that all actions had been completed, including the approval of the Committee’s revised terms of reference at the Board of Governors’ meeting held earlier on 9th October 2019.

It was noted in response to members’ questions concerning the action that the policies and procedures referred to in the annual fraud, misappropriation and whistle-blowing report should be included in an Information Pack accompanying the October 2019 Audit Committee, that these had been e-mailed to members with the agenda for the current meeting as requested by the Committee.

The Committee completed its review of the action table. There were no other matters arising from the minutes.

PART II - Risk management: items for consideration

6. Risk register. The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey presented to the Committee the University's updated risk register which had been reviewed by the University’s senior management team.

The Committee noted that a new risk (Risk 33) relating to staff and student mental health and wellbeing had been added to the register. It was noted in response to members’ questions that the University had mental health first aiders.

Members’ noted in discussion that Risk 27 (Regulatory) needed to remain on the register but that the reference to ‘new’ in relation to the HE bill would be removed.

Action: PVC Assurance & Director of Finance

The appropriateness of the Amber rating for Risk 16 (Organisation - Effective Governance) was discussed at length, noting that the rating had arisen as a result of some individual Governors’ low attendance levels at Board and training events, noting, however, that the Board still had a good skills mix and no Board or committee meeting had been inquorate. The importance of Governor attendance at training events, to ensure that Governors remained aware of key sector and University developments, was emphasised. It was proposed in discussion that earlier publication of the Board of Governors’ annual meeting schedule should aid Governor attendance although it was also noted that uncertainty concerning Office for Students (OfS) deadlines had recently made forward planning difficult.

The Committee agreed that the rating of Risk 16 should be kept under review and, with reference to Governor attendance at training events, should be considered again at the Committee’s March 2020 meeting i.e. after the next scheduled Governor training event in February 2020.

The Committee discussed whether the Amber rating of Risk 17 (Employee relations) remained appropriate, noting that, as none of the University’s employees were members of the
Universities Superannuation Scheme (USS), any strikes relating to USS changes would not affect the University but it was possible that it could be affected should there be strike action relating to the 2019 pay offer. It was noted that the rating of Risk 17 would be kept under review. The Vice-Chancellor, Professor Wonnacott, declared in this context that she had, until the current month, been a Universities & Colleges Employers’ Association (UCEA) Board member.

The Committee received the University’s updated risk register.

7. **OfS annual institutional risk assessment.** The Committee noted that no assessment had been received from the Office for Students (OfS), to date.

**PART III - Internal audit matters: items for consideration**

8. **Internal audit: progress & implementation plan.** The Pro-Vice-Chancellor Assurance & Director of Finance, Ms Bailey presented an update on the University’s internal audit implementation plan, reporting that work was progressing well on implementing the recommendations raised.

Members noted that:
- All recommendations arising from the Assurance Review of Bursaries and Learner Support had been implemented;
- With reference to the Information and Communications Technology (ICT) review of Network and Cyber Crime, all recommendations were currently on track to be completed by the agreed deadlines;
- With reference to the ICT review of General Data Protection Regulation (GDPR) compliance, the recommendation relating to a subject access request log had been completed, an initial update of the information asset register had been completed by September 2019, with an annual review due to take place from February 2020, and the data protection impact assessment document to be finalised and the CCTV data impact assessment to be completed by the revised implementation date of October 2019.

The Committee received an update on the University’s progress and implementation plan of internal auditor’s recommendations.

**PART IV - Internal audit matters: items for recommendation**

9. **Internal audit: annual report.** The Committee considered the annual report for 2018/19 from the University’s former internal auditors, TIAA Ltd.

Members noted that the Head of internal audit’s opinion was: ‘TIAA is satisfied that, for the areas reviewed during the year, Leeds Arts University has reasonable and effective risk management, control and governance processes in place. This opinion is based solely on the matter that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by Leeds Arts University from its various sources of assurance’.

Members noted that:
- 6 reviews had been carried out in 2018/19, with 4 receiving substantial assurance (i.e. Governor Recruitment and Training, Student Records (Assessment), GDPR Compliance,
Academic Quality (Course Approval and Periodic Review)), with Network Security & Cybercrime and Bursary & Learner Support both receiving reasonable assurance;

- 9 recommendations had arisen from the reviews undertaken, with 5 recommendations graded as 'important' (the second highest rating on TIAA's 3-point scale) and 4 as 'routine' (the lowest rating on a 3-point scale).

It was noted, that the Health & Safety review originally scheduled as part of the 2018/19 internal audit plan had been deferred, following the commissioning by the University of consultants to undertake a wider health & safety review during 2018/19, and had been replaced with a Bursary and Learner Support review.

It was noted that TIAA Ltd had a 100% achievement record in 2018/19 relating to its performance and quality assurance measures.

The Committee received the annual internal audit annual report 2018/19, noting that it would be presented to the Board of Governors and submitted to the Office for Students (OfS) as an appendix to the Audit Committee's Annual Report.

10 **Annual internal audit strategy.** Mr Long (HWCA, internal auditors) presented the 2019/20 draft internal audit strategy, reporting that the document included the findings of HWCA's audit needs assessment.

Members noted that the document included a 3 year strategy and a detailed plan showing what it was proposed that HWCA should review in 2019/20. It was noted that Mr Glover of HWCA had met with the Pro-Vice-Chancellor Assurance & Director of Finance, the Head of Finance and the Chair of the Audit Committee, and that HWCA had considered the draft strategy with reference to the University’s risk register and risks highlighted in Audit Committee and Board of Governors minutes from 2018/19, key emerging themes for the higher education sector, and the need for ongoing assurance in relation to key aspects of internal control.

Mr Long reported that audit needs assessment and internal audit strategy would be reviewed annually.

Members considered appendix D (the annual internal audit plan 2019/20), with reference to Appendix B, which showed areas prioritised for internal audit review in the 3 years 2019/20 to 2021/22, and Appendix C, which showed other areas for potential internal audit review.

The Committee noted that the proposed internal audit reviews for 2019/20 were:

- Core Financial Controls, 4 days
- Management Information (Data Quality), 5 days
- Quality Management, 4 days
- Business Continuity, 4 days
- IT Disaster Recovery, 4 days
- Health & Safety Management, 5 days

Members noted in discussion that the total number of days in the plan for 2019/20 had been increased from previous years, as agreed, to a total of 32 days. It was noted that this had permitted more days to be allocated to individual reviews, with the aim of improving the robustness of the audit process and to provide further assurance to the Committee. It was noted that it was intended that 2 blocks of reviews would be carried out as in previous years (e.g. historically reviews had taken place in January/February and March/April), with the
Director of Assurance & Director of Finance to review any possible operational impact arising from the increased days allocated to each review when the dates of reviews were agreed.

Members noted, with reference to safeguarding at Appendix C (other areas for potential internal audit review), recent press reports on HE students and sexual harassment. It was noted that, while this would not fall to be considered under the heading of safeguarding, which was specifically concerned with students aged under 18 years and with vulnerable adults, the Vice-Chancellor would, however, include details of support provided to students in relation to this matter in her CEO’s report to provide reassurance to Governors.

Action: Vice-Chancellor

The Committee agreed that the methodology presented in the draft internal audit strategy and plan appeared to be robust and thorough.

The Committee agreed that the draft internal audit plan 2019/20, should be recommended to the Board of Governors for approval: proposed Dr Reid, seconded Mr Fox.

Action: Chair of the Audit Committee

PART V - University reports: items for consideration

11 Annual report on fraud, bribery, irregularity and whistleblowing events. The Committee noted that representations from the Board of Governors to the financial statements auditors regarding the design and implementation of internal controls to prevent and detect fraud and error and to bring to the attention of the auditors instances of fraud, suspected fraud and allegations of fraud were made annually. As part of the process that enabled the Board of Governors to make such representations, an annual report by the University on fraud, bribery, irregularity and whistleblowing events was considered by the Audit Committee.

The Pro-Vice-Chancellor Assurance & Director of Finance presented the University’s annual report on fraud, bribery, irregularity and whistleblowing events which recorded that there had been no significant fraud, as defined in the OfS Terms and conditions of funding for higher education institutions and no bribery, corruption or irregularity.

With reference to the Bribery Act 2010, members noted that the report recorded that the University’s opinion was that the risk to the institution remained low during 2018/19 and to date, and that the institution had appropriate policies and procedures in place to help minimise any risk. Members noted that, in this context, the following policies and procedures, which were regularly reviewed, revised and updated as appropriate e.g. a revised and updated Policy on Fraud, Bribery, Corruption & Irregularities which had been approved by the Board of Governors in June 2017 on the recommendation of the Audit Committee; a Policy on Criminal Facilitation of Tax Evasion, which had been approved by the Board of Governors in June 2018; an updated Whistleblowing Policy and an updated Ethical Fundraising Policy, which had been approved by the Board of Governors in July 2018.

[Confidential minute]

The Committee received the University’s annual fraud, misappropriation and whistle-blowing report, noting that there had been no significant fraud, as defined in the Office for Students (OfS) Terms and conditions of funding for higher education institutions, and no instances of bribery, corruption or irregularity.

12 Management representations. The Committee considered the annual management representations on breaches of laws and regulations, actual or suspected frauds, and the
existence of related party transactions that have been signed by the Vice-Chancellor and by the Pro-Vice-Chancellor Assurance & Director of Finance.

Members noted that the signed forms stated that there were no breaches of laws and regulations, actual or suspected frauds, and the existence of related party transactions to be brought to the Committee's attention.

The Committee agreed that the Pro-Vice-Chancellor Academic and the Pro-Vice-Chancellor Student Experience & Resources should also be requested to complete management representations forms.

*Action: Clerk*

The Committee received the annual management representations on breaches of laws and regulations, actual or suspected frauds, and the existence of related party transactions.

13 **HE Governance Code report: review of illustrative practice examples shown as non-applicable.** The Committee noted that, as the report was unchanged from the version presented to the March 2019 Audit Committee meeting, it was not being re-presented and that the full report against the Code for 2018/19 would be presented to the Audit Committee’s November 2019 meeting.

*Action: Clerk*

### PART VI - Documents from outside bodies: for information

14 **OfS annual accountability returns schedule: 2019/20 finance, TRAC & TRAC(T) returns submission dates.** The Committee noted that an e-mail sent to vice-chancellors by the OfS in July 2019 had confirmed the dates for TRAC and TRAC(T) returns as:
- Annual TRAC return, Friday 31 January 2020 (midday);
- TRAC(T) return, Friday 28 February 2020 (midday).

The Committee noted that in previous years the annual budget and financial plan approved by the Board of Governors had been submitted to HEFCE or OfS by 31st July annually, with the University's annual financial statements, annual assurance return, and finance return being submitted by the beginning of December. Members noted that most accountability return submission dates had yet to be issued by the OfS, although it was currently understood that the OfS intended to publish this information by mid-October 2019. Members noted in discussion the uncertainty for providers resulting from the late publication of the OfS annual accountability returns schedule for 2019/20.

The Committee received an update on the publication of the OfS annual accountability returns schedule for 2019/20.

15 **Report on links &/or documents from regulators or other outside bodies.** The Committee considered a list of documents recently published by HE sector bodies or regulatory authorities on areas of interest to the Committee, including relevant links, i.e.
- In August 2019 the Office for Students (OfS) issued to providers, for consultation, draft Accounts Direction for periods beginning on or after 1st Aug. 2019. The OfS briefing note which referred was presented to the Committee’s June 2019 meeting and was also available at: [https://www.officeforstudents.org.uk/advice-and-guidance/regulation/conditions-of-registration/monitoring-of-registered-providers/](https://www.officeforstudents.org.uk/advice-and-guidance/regulation/conditions-of-registration/monitoring-of-registered-providers/)
- In August 2019 the Chair of the TRAC Development Group (TDG) issued a letter concerning the 2018/19 TRAC returns;
- In July 2019 the OfS reported an investigation into De Montfort University instigated
following whistleblowing allegations, with the OfS finding ‘significant and systemic’ failings in governance and the University accepting that ‘the Governing Body did not provide sufficient and robust oversight of the University’s leadership, in particular the Vice-Chancellor’:

- In July 2019 KPMG reported on an investigation into issues at Bournville College undertaken for the Education & Skills Funding Agency (ESFA). While Bournville College was in the further education (FE) sector, the report raises issues of regularity in relation to senior post-holder remuneration and expenses, procurement, travel costs, and declarations of interest which are relevant to both the FE and HE sectors:

Members discussed the governance issues raised in the De Montfort and Bournville College reports, including the importance of Board and executive relationships, the need for Governors to avoid complacency and their responsibility for asking difficult questions of the executive where necessary. It was noted, in this context, that Professor Cullen had been appointed to the Senior Independent Governor role at the Board of Governors’ meeting held earlier on 9th October 2019. It was noted that the Board of Governors had decided to appoint one of its Board members to the role of Senior Independent Governor following the recommendation in the Good Governance Review of Governance at Plymouth University (2015), noting that the role included being available to any Governor(s) with concerns where contact through the normal channels of Chair of the Board of Governors, Vice-Chancellor or Clerk to the Board of Governors had failed to resolve those concerns or where such contact would be inappropriate.

The Committee agreed that the Clerk should write a briefing note for Governors on the role of the Senior Independent Governor. The Clerk reported that she would also develop a checklist to explain what processes the Board of Governors and the University already had in place to ensure good governance practice, with specific reference to the concerns raised in the above reports.

**Action: Clerk**

The Committee received a briefing on documents and/or links recently published by education sector bodies and/or regulatory authorities.

16 **Briefings from auditors.** The Committee considered a TIAA benchmarking review report on higher education tuition fee spending. It was noted in response to members’ questions concerning the Higher Education Policy Institute (HEPI) best practice recommendation that universities should publish information showing students how their tuition fees were spent that, in addition to publishing the University’s annual financial statements, summary information on income (including the proportion of income from tuition fees) and expenditure was published on the University website i.e. at: https://www.leeds-art.ac.uk/about-us/how-we-use-our-finances/

The Committee received, for information, a TIAA benchmarking review report on higher education tuition fee spending.

**PART VII - Committee matters: items for approval**

17 **Audit Committee self-assessment checklist, including compliance review against OfS accountability requirements.** The Clerk presented the Committee's draft self-assessment checklist 2018/19 for completion by the Committee.
Members noted with reference to Section B Question 22 (Is the committee kept fully informed on all material matters between meetings, including appropriate external information (e.g. emerging risks and material regulatory changes) that Mr Fox as an external co-opted Audit Committee member did not have routine access to Board of Governors’ papers, noting that Mr Fox stated that, if he needed clarification or further information to fulfil his role, he would request this as required.

Members noted with reference to Section B Question 23 (Does the audit committee report to the governing body on a timely and accurate basis, and are such communications comprehensive, meaningful and focused?) that, due to external requirements, the November Audit Committee meeting was normally held shortly before the Board of Governors’ November meeting, with minutes, reports and recommendations from the former, nevertheless, being made to the latter.

It was noted that the reference in the response to Section A Question 6 should be to Mr ‘Fox’.

The Committee confirmed the grades in the draft Audit Committee self-assessment checklist for 2018/19 and the OfS accountability requirements compliance checklist 2018/19.

The Committee completed its review of the Audit Committee’s self-assessment checklist 2018/19, agreeing that the final version should be amended to take account of the discussion of Questions 6, 22 and 23 and that the final version should be presented to the Chair of the Audit Committee for signing.

Action: Chair of the Audit Committee

18 Audit Committee draft annual report. The Clerk presented to the Committee the first draft of the Audit Committee Annual Report for 2018/19, reporting that the final draft would be presented to the Committee’s November 2019 meeting.

The Committee agreed the following amendments to the draft report:

- At section 2 (Membership), the addition of details of Audit Committee members’ qualifications and experience;
- At section 13 (Value for Money) the year in which the Bursary and Learner Support review was undertaken should be amended to read ‘2018/19’;
- At section 17 (Training), the reference to Mr Finnigan attending a KPMG seminar in 2017 should be removed;
- The review, and amendment where necessary, of all references to 2017/18 in the report, noting, however, that some references to 2017/18 were appropriate because the Audit Committee had reviewed reports arising from 2017/18 during autumn 2018.

The Committee completed its review of the first draft of the Audit Committee Annual Report for 2018/19, agreeing that it should be amended as noted above, with the amended version presented to the Committee’s November 2019 meeting.

Action: Clerk

PART VIII - Committee matters: items for information

19 Revised Audit Committee standing agenda item list 2019/20. The Clerk presented to the Committee the Audit Committee standing agenda item list that had been approved at the Committee’s June 2019 meeting.

Members noted that some key guidance relating to OfS requirements in 2019/20 had not yet
been issued e.g. OfS requirements relating to registration Condition D: Financial viability and sustainability. It was therefore possible that, for example, items or the timing of items on the list might have to be varied once further information from the OfS was available.

The Committee noted that the Board of Governors’ meeting held earlier on the 9th October 2019 had agreed, on the recommendation of the Remuneration Committee, that committee Chairs should, from October 2019, be appointed by the Board of Governors but that committee Vice-Chairs should continue to be elected by committees. Members noted that the Chair of the Audit Committee was an *ex officio* member of the Remuneration Committee and that appointment of committee Chairs by the full Board of Governors had been considered to be a more robust method of appointment than election. It was, however, noted in discussion that, under the Remuneration Committee terms of reference approved by the Board of Governors, where the Chair of the Audit Committee was already an *ex officio* member of the Remuneration Committee by virtue of another Board role held (e.g. Deputy Chair of the Board of Governors) then the elected Vice-Chair of the Audit Committee became an *ex officio* member of the Remuneration Committee. It was agreed that this should be brought to the Board of Governors’ attention.

*Action: Clerk*

The Committee received, for information, the Audit Committee standing agenda item list for 2019/20, which had been approved at the Committee’s June 2019 meeting, agreeing that it should be amended to include annual notification of the appointment of the Audit Committee Chair by the Board of Governors, with the annual election of the Audit Committee Vice-Chair remaining as a standing agenda item for the first autumn meeting of the Committee.

*Action: Clerk*

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<thead>
<tr>
<th>PART IX - Final matters</th>
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<tbody>
<tr>
<td>20 <strong>Any other urgent items of business.</strong> There was no other business not already on the agenda.</td>
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<tr>
<td>21 <strong>Risk management.</strong> There were no new items of risk identified at the meeting.</td>
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<tr>
<td>22 <strong>Date of next meeting:</strong> The Committee noted that it was next scheduled to meet on Wednesday 13th November 2019 at the earlier time of 1.30pm.</td>
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<th>PART X - Reserved Matters - for decision</th>
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<tr>
<td>23 <strong>Exclusions.</strong> Ms S Kockelbergh (KPMG LLP UK, External Auditors) and Mr D Long (HWCA, Internal Auditors) left the meeting before consideration of the Reserved Matters agenda.</td>
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