

SOLENT UNIVERSITY

Annual Report of the Audit Committee to the University Board for 2019/20

Introduction

- 1 Paragraph 42 of the 2020 Committee of University Chairs (CUC) HE Committees Audit Code of Practice, states that: ‘the Audit Committee should produce an annual report for the governing body and the Head of Institution, timed to support the preparation of the published financial statements’.
- 2 Paragraph 44 of the Code states: ‘The annual report should include the Committee’s opinion of the adequacy and effectiveness of the institution’s arrangements for risk management, control and governance, sustainability, economy, efficiency and effectiveness (value for money) and the quality of data submitted to regulatory bodies. The report should describe how the Audit Committee has discharged its duties and should include any significant issues arising during the financial year and the period up to the date of the report.’
- 3 The report should also record the work of the Committee and consider the external auditors’ report; the internal auditors’ annual report; value for money work; and any other relevant evaluations.
- 4 This report covers the financial year 1 August 2019 to 31 July 2020 plus any significant issues up to the date of preparing the report which affect the opinion.
- 5 This report must be reviewed by the governing body before the audited financial statements are signed.

Membership

- 6 The Committee’s membership during 2019/20 is shown in the table below:

		Date Committee membership commenced
Don Iro	Independent Governor	August 2019
Harry Mears*	Co-opted member	August 2017
James Rimmer	Independent Governor	January 2019
Lena Samuels	Independent Governor	August 2017
John Simpson	Independent Governor	October 2013
Emma Tiller	Independent Governor	August 2017

* Co-opted to the Committee as someone with financial, accounting or audit experience, as required by the Committee’s Terms of Reference.

- 7 The Vice-Chancellor, Chief Finance Officer/Finance Director, and Financial Controller were regularly in attendance at meetings of the Committee.
- 8 The Clerk to the Committee during the year was the Clerk to the Governors, Bridget Woolven.

Meetings

- 9 During 2019/20, the Committee met in on 6 November 2019, 15 January 2020, 21 May 2020 and 17 June 2020. A meeting scheduled for 25 March 2020 was postponed until 21 May 2020 due to Covid-19. All meetings were quorate. The minutes of each meeting were provided to the Board of Governors.
- 10 Dates of meetings and attendance are shown below:

	Don Iro	James Rimmer	Lena Samuels	Harry Mears	Emma Tiller	John Simpson
06.11.19	Y	Y	Y	Y	Y	Y
15.01.20	Y	Y	Apols	Y	Apols	Y
21.05.20	Y	Y	Y	Y	Y	Y
17.06.20	Y	Y	Y	Y	Y	Y
18.11.20	Y	Y	Y	Y	NA	Y

Note: Captain Emma Tiller left the Board on 31 July 2020.

Terms of Reference

- 11 The Committee's Terms of Reference were reviewed during in June 2020 and proposed revisions were approved by the Board of Governors on 25 November 2020.

Internal Audit

- 12 The University's internal auditor from academic year 2019/20 was PwC. PwC had successfully tendered for the service in January 2018. PwC has 24 offices across the UK with a regional office in Southampton.
- 13 An evaluation of the internal audit service provided by PwC was undertaken at the Committee's meeting in June 2020. The Audit Committee Chair and Finance Director had subsequently met with PwC to feedback the outcome of the evaluation.
- 14 PwC had been present at every Audit Committee meeting during the year.
- 15 The Committee members meet in closed session with the internal auditors on an annual basis, at the start of the meeting at which the University's annual financial statements are considered.

Internal Control and Governance

- 16 Under its remit for ensuring an effective system of internal control and governance, the Committee is informed by the work of the internal auditors and the executive management of the University, who have responsibility for the development and maintenance of the internal control framework; and comments made by the external auditors in their annual report to the Audit Committee and other reports.

- 17 In arriving at their Operational Internal Audit Plan for 2019/20, which formed the basis of PwC's audit procedures for the year ending 31 July 2020, both the University's risks and core processes and systems had been taken into consideration. The plan had been provided to, and approved by, the Audit Committee, in July 2019. In accordance with the plan, the audit assignments would include financial, operational, governance and strategic reviews, as well as specific work in regard to risk management arrangements and data quality.
- 18 During 2019/20, PwC provided the Committee with interim reports on progress against their Operational Internal Audit Plans. They conducted the following activity during the year. A review of Value for Money (VfM) was included in each of PwC's audits, where appropriate.

Financial internal controls

- (i) Treasury Management

Data Quality

- (ii) Data Quality (Apprenticeships)
(iii) OfS Framework (completion indicator)

Strategic internal controls

- (iv) Capital Projects Review (advisory work only)

Audit Committee assurance

- (v) Risk Management Report

Operational internal controls

- (vi) IT Disaster Recovery

- 19 In addition to several areas of good practice identified across the audits listed above, a total of 23 audit recommendations had been raised by PwC during the year; zero with a critical rating, two with a high rating; twelve medium-rated and nine low-rated. Agreed timelines for each of the actions were agreed.

Risk Management

- 20 The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. Under its remit to provide oversight of risk management, the Committee receives regular reports from the University's Risk Management Group (RMG). The RMG is responsible for ensuring that a robust and comprehensive system of risk management is in place, and for evaluating the individual risk registers of the University's Faculties, Services and major projects. Attached to each RMG report is an updated copy of the Vice-Chancellor's Group (VCG's) assessment of top risks to the University and associated action plan.
- 21 In November 2019, the Committee received from the RMG the aggregated Risk Register and Assurance Map based on the Vice-Chancellor's Group's (VCG's) top 15 risk listing; and, in May 2020, the Vice-Chancellor's Group

(VCG) key risks and Covid-19 related risks were presented to the Committee. The risk registers for each Faculty and Service were put on hold and replaced with six project risk registers. The University-wide risk register informs the internal audit strategy, and was provided to all members of the governing body as an addendum to the report from Audit Committee.

- 22 The Committee receives reports on key risks to the University and, during 2019/20, presentations were given on 'IT Risks' and 'Environmental Data Assurance and Environmental Sustainability'.

Data Quality

- 23 Under its remit to consider the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA); the Office for Students (OfS); the Student Loan Company (SLC); and other funding bodies, the Committee received an annual report from the Information and Data Governance Group.. This outlines the University's data monitoring activities.
- 24 For the year ended 31 July 2020, the focus of the Internal Audit review in relation to data quality was on Apprenticeships and the OfS Framework - completion indicator.

Sustainability

- 25 The impact of Covid-19, combined with existing strategic challenges facing Solent, have combined to force the Board and the Audit Committee in particular necessarily to probe the crucial issue of institutional sustainability. Supported by the Executive and the institution's independent advisors, we have satisfied ourselves about the institution's long term sustainability but recognise the absolute necessity to keep this under close scrutiny due to the considerable continuing challenges of the impacts of Covid-19 on the institution, and the scale of the challenges the institution is addressing through its new strategic plan.

Economy, Efficiency and Effectiveness (Value for Money)

- 26 The Audit Committee is responsible for ensuring that the University observes Value for Money (VfM) in all aspects of its operation. In day-to-day operations this responsibility is devolved to the Vice-Chancellor's Group.
- 27 At its November 2019 meeting, Audit Committee approved the Annual Efficiency Return (AER) for 2018/19 which included the annual VFM return. Whilst the OfS no longer require the submission of VfM, it is considered best practise to report on value for money internally. Therefore, VFM has continued to be reported to the Audit Committee alongside the AER, including a summary of procurement activity and generated savings for the year.

Internal Audit Opinion

- 28 In their Annual Report for 2019/20, PwC reported that:

'We are satisfied that sufficient Internal Audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control, and economy, efficiency and effectiveness arrangements (value for money).'

Generally satisfactory with some improvements required.

In giving this opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

The coronavirus outbreak (COVID-19), which emerged and spread to the UK in early 2020, has become a global pandemic affecting part of the reporting period covered by this report. However, most work was conducted prior to the pandemic having a significant impact on University operations. The reviews included in our audit plan were conducted and completed prior to the emergence of COVID-19 with the exception of concluding on the Risk Management and Treasury Management reviews, and the delivery of the Data Quality review which took place remotely with no issues emerging due to these working arrangements.

However, this does mean that our individual reviews, and overall annual report, do not provide any assurance in respect to Solent University's policies, procedures and controls which have operated during the pandemic and matters that were considered for the purpose of our 2019 opinion may need to be revisited, particularly in relation to the impact on IT, business continuity and delivery of education.'

Internal Audit Performance Measures

- 29 The Internal Auditors completed their audit work in accordance with the agreed Operational Internal Audit Plan for 2019/20 including the additional advisory work on Capital Projects.

External Audit

- 30 The University's External Auditors for 2019/20 were:

BDO
Arcadia House
Maritime Walk
Ocean Village
Southampton SO14 3TL

- 31 An evaluation of the external audit service during the past year was undertaken at the Committee's meeting in June 2020, during which Committee members concurred with the Finance Director that BDO's performance had been excellent and noted that the Audit Partner in particular had played a key role in the year end activity. Members agreed that his support had been invaluable and represented real value for money.

- 32 Following tender presentations on 8 May 2019, the Committee had agreed to recommend to the Board of Governors that BDO should be re-appointed as

external audit provider for a further four-year contract. This was approved by the Board of Governors at its meeting on 17 July 2019.

33 The Audit Committee members meet in closed session with the external auditors on an annual basis prior to the November meeting, at which the University's annual financial statements are considered.

34 At its meeting on 21 December 2020, the Committee considered the closure of the University's accounts for 2019/20 and noted from BDO's Report, that they had completed their audit procedures in respect of the financial statements for the year ended 31 July 2020 and anticipated issuing an unmodified opinion on the financial statements.

Non-audit services

35 Non-audit service commissioned from BDO LLP during 2019-20 included an audit report for LEP funding received in the previous year. BDO also provided annual Corporation Tax services for Solent University Limited, for which there is budget provision.

Total non-audit services which were 16% of the fees paid to BDO are detailed in the BDO Audit Completion Report for the year.

No non-audit services have been commissioned from the University's Internal Auditors (PWC) during 2019-20.

Other matters considered by the Audit Committee

36 During 2019/20, the Audit Committee considered a number of additional matters. A summary of the more significant matters is provided below:

36.1 Modern Slavery Act & University Policy

The Committee recommended to the Board of Governors the annual statement relating to the University's policies in place to tackle modern slavery and human trafficking, due diligence processes, training and measures of effectiveness.

36.2 Annual Report on Information and Data Governance

The Committee received the annual report which included Information relating to the number of FOI requests, data protection requests, and the nature of data breaches that have been reported to the ICO.

36.3 Transparency Review to Costing (TRAC) submissions 2018/19

The Committee received and reviewed the University's compliance with OfS's TRAC and TRAC(T) requirements and guidance, and its return to the OfS, for 2018/19.

36.4 External Audit: Planning report 2019-20

The Committee received a report from the University's external audit provider, BDO, the purpose of which was to set out an overview of the

planned scope and timing of their audit of the University's financial statements for the year ending 31 July 2020, including key issues that they believed should be brought to the Audit Committee's attention in connection with their audit. This included specific issues and risks relating to Covid-19 and its impact on the audit process. In addition, their report identified five audit risks to the University: revenue recognition; management override; going concern; pension liabilities; and major capital expenditure/campus development, and gave BDO's planned audit responses; and detailed the basis of BDO's materiality calculations; confirmed BDO's independence as auditors; and listed their audit fees for the year.

36.5 Annual Financial Statements 2019/20

Having considered the draft Financial Statements for 2019/20 at its November meeting, the Committee agreed to recommend them to the Board for formal approval when it met on 21 December 2020.

36.6 Annual self-evaluation of the Committee's effectiveness

In accordance with recommended good practice, the Committee undertook a review of its own effectiveness during 2019/20. The assessment had been undertaken using the AdvanceHE template for annual self-evaluation. This took account of factors which guidance and research had suggested were most likely indicators of effective governance, specifically 'enablers' and 'outcomes', as well as noting any 'future governance' issues for the forthcoming year.

The Committee concurred that the evidence provided in the report confirmed that it had met its responsibilities during 2019/20. The new CUC-recommended template for evaluation would be used at the end of 20/21.

Incident Reporting

37 The reporting of any incidents, including incidents of fraud or suspected fraud under the Public Information Disclosure Act; 'serious incidents', or suspicion or allegation thereof, as defined as reportable to the OfS by the Charity Commission; and of whistle blowing, are standard agenda items at all Committee meetings.

38 During 2019/20, the Committee was notified of nine reportable events, as defined by the OfS, which 'could materially affect or materially effects the provider's legal form of business model and/or its willingness or ability to comply with its conditions of registration'.

Whistleblowing

39 No incidences of Whistleblowing were reported to Audit Committee during 2019/20.

Anti-Bribery

- 40 An annual report is made to the Committee each November in respect of the University's Anti-Bribery Policy, although there were no incidents of bribery that had been reported during 2019/20.

Opinion

- 41 Based on the evidence of the internal audit reports considered, other documentary evidence received, and information and explanations received from the University's Executive, the Committee is of the opinion that reliance can be placed on the internal control system operating within the University and that there are effective systems in place to secure value for money.

- 42 The Committee

- is satisfied that the University has an effective process in place for identifying, evaluating and managing the University's significant risks;
- is satisfied that the overall arrangements at the University for the achievement of sustainability, economy, efficiency and effectiveness (VfM) are adequately designed and effective;
- is assured of the arrangements for the validity of the data submitted to external stakeholders and regulatory bodies, and the systems in place to assure data quality;
- is satisfied that reliance can be placed on the University's system of internal controls;
- is satisfied that effective governance arrangements are in place;
- considers that the responsibilities of the University Board have been satisfactorily discharged.

Signed:



James Rimmer
Chair, Audit Committee
Solent University

Date:

06/01/2021
