

SOLENT UNIVERSITY

Annual Report of the Audit Committee to the University Board for 2021/22

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 2021 to 31 July 2022 as well as 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 2021/22 is shown in the table below:

		Date Committee membership commenced
Paul Cox	Externally Co-opted Governor	1 August 2021
Philip de Klerk	Independent Governor & Committee Chair	1 August 2021
Don Iro	Independent Governor	August 2019
Harry Mears*	Co-opted member	August 2017
Lena Samuels Left 31 Dec 2021	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 Chief Financial Officer, Financial Controller and University Secretary & Registrar were in attendance at meetings of the Committee. The Vice-Chancellor, whose attendance was optional, attended the 17 November 2021 meeting.
- 8 The Clerk to the Committee during the year was the Clerk to the Governors, Bridget Woolven.

Meetings

- 9 During 2021/22, the Committee met on 17 November 2021, 22 February 2022, and 8 June 2022. All meetings were quorate and the minutes of each meeting were provided to the Board of Governors.
- 10 Dates of meetings and attendance are shown below:

	Paul Cox	Philip de Klerk	Don Iro	Harry Mears	Lena Samuels
11.11.21	Y	Y	Y	Y	Y
22.02.22	Apols	Y	Y	Y	Left
08.06.22	Apols	Y	Y	Y	Left

Terms of Reference

- 11 The Committee's Terms of Reference were last reviewed updated on 25 November 2020. The triennial review of the Board's governance was conducted during the summer of 2022 and the findings may generate recommend revisions.

Internal Audit

- 12 The University's internal auditor for academic year 2021/22 was PwC. PwC has 24 offices across the UK with a regional office in Southampton.
- 13 The Internal Auditors completed their audit work in accordance with the agreed Operational Internal Audit Plan for 2021/22.
- 14 An evaluation of the internal audit service provided by PwC was undertaken at the Committee's meeting in June 2022. The University Secretary and Registrar subsequently contacted PwC to feedback the positive outcome of the evaluation.
- 15 PwC had been present at every Audit Committee meeting during the year.

- 16 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

- 17 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.
- 18 In arriving at their Operational Internal Audit Plan for 2021/22, which formed the basis of PwC's audit procedures for the year ending 31 July 2022, both the University's risks and core processes and systems had been taken into consideration. The draft plan was reviewed and approved by Audit Committee in June 2021. In accordance with the plan, the audit assignments included financial, operational (including information technology), governance and strategic reviews, research & innovation, and health & safety.
- 19 During 2021/22, 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) Procurement

Data Quality

- (ii) Cyber Security & Data Quality (Follow Up)

Strategic internal controls

- (iii) Student Recruitment
(iv) Graduate Employability
(v) Student Records System/SITS Programme Health Check
(vi) Research & Innovation

Operational internal controls

- (vii) UUK Accommodation Code of Practice Compliance
(viii) Health & Safety

- 20 In addition to some areas of good practice identified across the audits listed above, a total of 25 audit recommendations had been raised by PwC during the year; zero with a critical rating, two with a high rating; sixteen medium-rated and seven low-rated. Timelines for each of the actions were agreed.

Risk Management

- 21 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. The RMG report is supported by a copy of the Vice-Chancellor's Group (VCG's) assessment of top risks to the University and associated action plan.
- 22 In November 2021 and June 2022, the Committee received from the RMG the aggregated Risk Register based on the Vice-Chancellor's Group's (VCG's) top ranked risks. 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.

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); other external bodies as well as internal working groups, the Committee received the annual report, and the Returns Register, of the University's data returns for 2021/22.

Sustainability

- 24 The HE sector and Solent University are facing increased inflationary pressure given the current environment. Given that our main income stream, UG home fees, is frozen until at least 2024/25 our ability to mitigate the inflationary pressure is limited. This together with the uncertainty in financial markets as well the energy crisis due to the war in Ukraine are putting additional pressure on the HE sector and the university.

The Board reviews and approves the university's budget, five-year financial forecast, and its going concern assessment. Supported by the Executive, the Board is satisfied with the institution's long-term sustainability whilst recognising the absolute necessity to keep this under scrutiny due to the considerable ongoing challenges.

Economy, Efficiency and Effectiveness (Value for Money)

- 25 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.
- 26 At its November 2021 meeting, Audit Committee approved the Value For Money (VFM) Annual Report for 2020/21. Whilst the OfS no longer requires the submission of VfM, it is considered best practise to report on value for money internally as part of the management and governance processes. Therefore the VFM Report, which includes a summary of procurement activity and generated savings, has continued to be reported to the Audit Committee.

Internal Audit Findings

- 27 In its Annual Report for 2021/22, PwC reported that:
- 'Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.'

External Audit

- 28 The University's External Auditors for 2021/22 were:
- BDO
Arcadia House
Maritime Walk
Ocean Village
Southampton SO14 3TL
- 29 In February 2022, the Committee agreed to extend the contract with BDO for a further twelve months until sign off the accounts for 2022/23.
- 30 An evaluation of the external audit service during the past year was undertaken at the Committee's meeting in June 2022, during which Committee members concurred with the Chief Financial Officer that BDO had provided a high quality service. The Chief Financial Officer provided the Committee's feedback to BDO.
- 31 The Committee received a report from the University's external audit provider, BDO, setting out the planned scope and timing of their audit of the University's financial statements for the year ending 31 July 2022, including

key issues that they believed should be brought to the Audit Committee's attention in connection with their audit.

- 32 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 were considered.
- 33 At its meeting on 14 November 2022, the Committee considered the closure of the University's accounts for 2021/22 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 2022 and anticipated issuing an unmodified audit opinion on the financial statements.

Non-audit services

- 34 Non-audit service commissioned from BDO LLP during 2021-22 included Corporation Tax compliance for the University, for which HMRC requested a return. BDO also provided annual Corporation Tax services for Solent University Limited and Solent University Services Limited, for which there is budget provision.

Total non-audit services which were 22% of the audit fees paid to BDO, are detailed below:

Non Audit Service	Amount
Tax compliance services	£12,780
IXBRL Services for subsidiary companies	£ 3,180
DFE Grant Letter	£ 4,000
TOTAL	£19,960

During 2021-22, there were no non-audit services carried out by PWC.

- 35 During 2021/22, the Audit Committee considered a number of additional matters. A summary of the more significant matters is provided below:
- 36.1 Modern Slavery Act Statement

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 Transparency Review to Costing (TRAC) submissions 2020/21

The Committee noted the University's annual Transparency Review submission (TRAC) for 2020/21.

36.4 Annual self-evaluation of the Committee's effectiveness

In accordance with recommended good practice, the Committee undertook a review of its own effectiveness during 2021/22 using the template provided by the CUC on publication of its Audit Code of Practice.

The Committee concurred that the evidence provided in the report confirmed that it had met its responsibilities during 2021/22.

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 whistleblowing, are standard agenda items at all Committee meetings.

Reportable Events

- 38 During 2021/22, there was one reportable event, as defined by the OfS. This related to a new partnership arrangement.

Whistleblowing

- 39 No incidences of whistleblowing were reported to Audit Committee during 2021/22.

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 2021/22.


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: _____



Philip de Klerk
Chair, Audit Committee
Solent University

Date: _____

27/11/2022