

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 20 JUNE 2018**

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**Present:**

Harry Mears	Co-opted Member
Lena Samuels	Independent Governor & Committee Chair
John Simpson	Independent Governor
Captain Emma Tiller	Independent Governor

**In attendance:**

David I'Anson	Audit Partner, BDO
David Lees	Assistant Manager Southampton Professional Business Assurance
Stuart Kemp	Director, Kingston City Group (KCG)
Emma Butler	Director, PwC
Debi Simmonds	Manager, PwC
Professor Graham Baldwin	Vice-Chancellor
Kerrie Clark	Financial Controller, Finance Service
Paul Colbran	Chief Information & Infrastructure Officer
Andy Riggs	Chief Finance Officer

**18/17 Apologies and Welcome**

Bridget Woolven advised that apologies had been received from Independent Governor and Committee member Alison Colley.

On behalf of the Committee, Lena Samuels welcomed the incoming Internal Audit representatives, Emma Butler and Debi Simmonds, to their first meeting of the Committee.

**18/18 Conflict of Interest**

- i. Committee members were asked to declare any conflict or potential conflict of interests in relation to the forthcoming business of the meeting.
- ii. No member of the Committee had any conflict of interest to declare.

**18/19 Minutes of the meeting of 22 March 2017**

- i. The minutes were confirmed as an accurate record and signed by the Chair.

**18/20 Matters Arising**

**[Confidential]**

This minute is confidential.

**18/22 Report from the Risk Management Group**

**Paper 18/AC/07**

- i. The Chair of the RMG, Andy Riggs, presented a regular update report from the Group, attached to which were three appendices:

- (a) the updated Vice-Chancellor's Group (VCG's) assessment of key University risks (Annex 1) and action plan (Annex 2);
- (b) the Minutes of the last RGM meeting held on 22 May 2018 (Annex 3) .

The Committee noted that

- ii. in the VCG's assessment of key risks, the top risk - student recruitment and the impact of a reduction in applications on budgets and service levels - had remained unchanged. The individual risk on BREXIT had been removed, and the uncertainty post-Brexit in relation to international recruitment, and fee and research income, had been merged into the top risk;
- iii. the Risk 2 related to the Government's *Fees and Funding Review*;
- iv. The risk around *institutional reputation* had moved down to 13<sup>th</sup> position, with Solent's rise to 81<sup>st</sup> place in the Guardian League Table, and the achievement of *Silver* in the Teaching Excellence and Student Outcomes Framework (TEF) assessment.

The Committee noted the the report, commenting on its comprehensive format.

**18/23 Internal Audit Progress Report**

**Paper 18/AC/08  
[Confidential]**

This minute is confidential.

**18/24 2018-19 Internal Audit Plan & Risk Assessment**

**Paper 18/AC/09  
[Confidential]**

This minute is confidential.

**18/25 External Audit: Planning report 2017-18**

**Paper 18/AC/10**

- i. The University's External Audit service provider, BDO, presented a report, the purpose of which was to set out an overview of the planned scope and objectives, and timing, of their audit of the University's financial statements for the year ending 31 July 2018.

The Committee noted that

- ii. the report had given an overview of the audit risks, and BDO's planned audit responses; detailed the basis of BDO's materiality calculations; confirmed BDO's independence as auditors; and listed their audit fees for the year;
- iii. as part of their audit, BDO would review the depreciation policies adopted by the University to ensure that they had been appropriately applied.

In discussion the following points were made

- iv. Audit Manager, David Lee, would be leaving BDO before the final audit of the University's 2017/18 financial statements, and would be replaced by Sophie Venton, Account Manager at BDO's Redhill Branch, who, David l'Anson advised, had experience in the HE sector.

- v. The non-audit service fees for current and prior year were far higher than would normally be expected, driven principally by the financial due diligence for the proposed merger between the University and City College, Southampton.
- vi. The *Clearly Trivial Threshold* of £59K set for BDO's materiality calculations was discussed and consideration given to whether this was too high. It was noted that lowering the threshold would involve BDO undertaking a much greater level of work which, at the end of the day, was unlikely to change opinion of the financial standing of the University, as presented in the accounts.

The Committee noted the content of BDO's planning report.

**18/26 Update on the accounting policy for depreciation**

**Paper 18/AC/11**

- i. Kerrie Clark presented the main changes to the accounting for depreciation affecting the University's financial statements from 2017/18.

The Committee noted that

- ii. the main changes related to the way depreciation was applied to freehold buildings; and extending the operating (useful) life of: general building refurbishments, and computer equipment and software. The impact of the changes would be that, overall, depreciation for the financial year 2017/18 would reduce by £1.4m.

In discussion the following points were made

- iii. Having reviewed the policy on depreciation, it was suggested that the University's policy on impairment should be re-considered.
- iv. BDO would assess the impact of the revised depreciation estimates on the banking covenants with Lloyds and AIB.

The Committee approved the proposed amendments to (a) the University's depreciation policy; and (b) wording of the policy in the financial statements.

**18/27 Annual self-evaluation of the work of the Committee**

**Paper 18/AC/12**

- i. The Clerk invited the Committee to consider the evidence given in Annex A that the Committee had been generally effective during 2017/18 and had discharged its responsibilities as outlined in its Terms of Reference.
- ii. The assessment had been undertaken using the template for annual self-evaluation that had been agreed by the Board in 2010/11.

In discussion the following point was made

- iii. Lena Samuels' 'sector' details should be amended to show 'Health Management' and Public Relations.

The Committee approved the content of the self-evaluation.

### **18/28 Complaints received under the Public Information Disclosure Act and the University's Fraud Policy**

The Committee noted that since the last meeting

- i. no complaints had been received either by the Chairman of the Board or the Clerk to the Governors under the Public Information Disclosure Act;
- ii. no cases of fraud or suspected fraud had been received by the Chief Finance Officer; Clerk to the Governors; or the Chairman of the Board.

### **18/29 Reporting Serious Incidents**

The Committee noted that, since its last meeting, no 'serious incident', or suspicion or allegation thereof, as defined as reportable to the OfS by the Charity Commission and outlined in the University's Financial Regulations, had been reported to the Chief Finance Officer or the Clerk to the Governors.

### **18/30 Whistleblowing**

The Committee noted that, since its last meeting, no cases of Whistleblowing had been reported to the Chief Finance Officer, Clerk to the Governors, or the Chairman of the Board.

### **18/31 Order of business 2018/19**

**Paper 18/AC/13**

- i. The Clerk presented an outline of the regular and planned business of Audit Committee, as currently anticipated, during 2018/19.
- ii. The date of the Committee's next meeting would be in November 2018, not October as shown on the proposed Order of Business.

The Committee noted the likely order of business for the next academic year, agreeing that the January 2019 meeting should be used primarily for development purposes.

### **18/32 Meeting dates 2018/19**

- i. The Committee received the proposed meeting dates for 2018/19:  
  
Wednesday 13 November 2018  
Wednesday 16 January 2019  
Wednesday 20 March 2019  
Wednesday 19 June 2019
- ii. All meetings would commence at 17:30 hrs, preceded by a 30-minute pre-meeting discussion between Committee members.