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LIVERPOOL HOPE UNIVERSITY

AUDIT COMMITTEE 7th November 2024

PRESENT: Mr S Townley (in the Chair), Ms L Martin-Wright, Ms S Suchoparek.

By invitation: Mr C Barker, Ms S Beecroft, Mr J Boyle, Mr A Catterall (for item 3), Dr P Haughan (for item 12), Ms C McLean, Ms S Merriman, Ms I Milner, Dr W Simpson

Apologies: Prof C Ozanne (Vice-Chancellor), Ms D Shackleton

Secretariat: Mr D Dykins, Marc Jones

1. Conflicts of interest

No conflicts of interest were declared.

2. Minutes of the Previous Meeting

Members had received the minutes of the meeting held on 19th September 2024 and those were **APPROVED** as a correct record.

3. Matters Arising

- (i) Project Management Framework: Members had received the Project Management Framework. Mr Catterall informed members that the framework has been reviewed and approved by stakeholders and UEB. Mr Catterall added that the plan had been developed with input from the auditors. Dr Simpson confirmed that this was the case, and assured members that the framework constituted a good starting point for improvements in this area. Mr Catterall drew members' attention to two questions arising from the creation of the framework: (i) Should University Project Governance Group (UPGG) have delegated responsibility for effectiveness of the Framework, with regular reporting into relevant Council Committee's and Council, save for when financial delegations require Council approval for major projects? (ii) Re defining the type of project required to follow the Framework based upon the size, scope and cost of the project, is the scoring matrix at Appendix 1 appropriate?

Re (i) Ms Suchoparek asked whether the financial regulations give a clear picture as to what should be delegated. Ms Merriman assured members that the University has a formal Scheme of Delegation which gives detailed information on this. The Chair asked whether the Scheme of Delegation was in need of updating. Mr Dykins informed members that it came to the last meeting of Audit Committee of the 2023-2024 academic year. Ms Suchoparek requested that the scheme be brought to the next meeting of the committee.

ACTION: Mr Dykins to bring Scheme of Delegation to next meeting.

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Re (i) Ms Suchoparek requested further detail as to the membership of UPGG. Mr Catterall responded that the group has a permanent membership, with other colleagues attending by invitation when needed. The Chair asked whether members of University Council would sit on the group. Dr Simpson responded that this was not the case in other institutions of which he had experience. Dr Simpson added that in exceptional cases where a project of significant size was being undertaken, a member of University Council could be co-opted to the group for assurance purposes.

Re (i) Ms Martin-Wright suggested that the wording be altered from 'delegated responsibility for effectiveness of the Framework' to 'delegated responsibility for monitoring projects and escalating where necessary'. Members concurred with this suggestion.

ACTION: Mr Catterall to update wording, as above.

Pending this change, members informed Mr Catterall that they were happy with the delegated responsibility outlined in (i).

Re (ii) members stated that the scoring matrix at Appendix 1 was appropriate.

The Chair asked how much work remains to be done on the documents and proformas which sit under the framework. Mr Catterall informed members that a substantial amount of this is at draft stage, ready for completion once the framework has been approved. Mr Catterall added that he envisaged all documentation being complete by the end of the calendar year.

Ms Martin-Wright noted that the framework makes reference to the University's procurement policy and stated that the current version of the policy on the University website is out of date and needs to be removed. Ms Beecroft informed members that she is currently working on the revised procurement policy, which will be presented to VCAG in the near future.

ACTION: Ms Beecroft to ask Procurement Manager to remove current version of procurement policy from University website.

Ms Martin-Wright noted that the University will need to evidence a number of elements under the new Procurement Act, including sustainability, low carbon and supply chain integrity. Mr Catterall assured members that under the framework when a major project is undertaken the University's Sustainability Manager will be one of the stakeholders. Ms Beecroft informed members that when the 2024-25 version of Project 28 is launched it will be used to road-test the framework. Mr Catterall emphasised the importance of the University not exceeding the number of projects it can effectively manage. Members concurred with this view.

4. External Auditor's Letter of Representation on the 2023-24 Accounts and the Year-End Report

Members had received the External Auditor's Letter of Representation on the 2023-24 Accounts and the Year-End Report, along with the 2023-24 Accounts and the Year-End Report. Mr Boyle informed members that no additions have been made to this year's letter and undertook to send a copy to the Chair of Council for signing.

ACTION: Mr Boyle to send copy of letter of representation to Council Chair, as above.

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Re the 2023-24 accounts Mr Boyle informed members that these were in a positive condition, adding that KPMG would be signing their opinion in line with the timetable. He expected to sign an unmodified opinion. Mr Boyle stated that the majority of outstanding matters have been resolved, with one remaining: the completion of the Going Concern report. Mr Boyle added that he had been assured that this would be complete by the end of the following week. There had been some delays during the audit and some additional testing had been necessary because some errors had been found during the initial sample testing of transactions. Additional costs of approximately £7,000 had therefore been incurred and would be reflected in a revised audit fee. Ms Milner informed members that there were three unadjusted errors reportable to those charged with governance which would be set out in the final version of KPMG's audit report. The magnitude of these errors was not considered material to the financial statements.

Re the actuarial gain in respect of pension scheme (p48) Ms Suchoparek requested that a note be added to explain this.

ACTION: Ms McLean to add note, as above.

The Chair asked whether Finance & General Purposes Committee have formally reviewed the accounts. Ms Beecroft confirmed that this was the case. The Chair asked RSM whether they were satisfied with the way in which their opinion had been expressed in the governance statements. Dr Simpson undertook to check this.

ACTION: Dr Simpson to check governance statements, as above.

Re the Year-End Report, members noted the significant audit risk outlined in relation to pension funds (p8), and the recommendations made. Ms Milner drew members' attention to the findings re General Ledger segregation (p11), adding that KPMG is aware that workflow journals do in fact have segregation of duties. Ms Milner informed members that as part of KPMG's related parties testing, they had identified two individuals who had interests appearing with Companies House which had not been captured within their declaration. Members noted the recommendation that the University build a completeness check into the year-end processes to review Companies House in order to confirm that the register of interests is complete (p19). Members also noted the recommendation re bank reconciliation sign-off (p19). Ms Milner informed members that the two recommendations from the previous year have been implemented. Ms Milner drew members' attention to a difference of opinion re the provision in relation to the BCS accreditation, but assured members that KPMG noted management's approach as prudent. Ms Suchoparek asked whether KPMG would be happy with the £1.5m accrued for costs owed to the contractors in relation to the i3 building to be capitalised. Mr Boyle responded that this amount has been substantially reduced as a result of the fortnightly Without Prejudice meetings. Ms Beecroft confirmed that the variations are continually being reduced, adding that the Prolongation Claim has yet to be finalised due to changes to it on the part of the contractor. Ms Beecroft added that the University is prepared to enter into legal proceedings on this matter if necessary.

Ms Suchoparek noted that under the 'Number of Control Deficiencies' section on p5 there were two amber and two green, while later in the report (pgs 19 & 20) there is one amber and three green. Mr Boyle confirmed that the colours on pgs 19 & 20 are correct and undertook to amend those on p5 accordingly.

The Chair noted that the view of management judgement (p14) showed the marker slightly to the left of 'Neutral' while other markers in the same section were slightly to the right of 'Neutral'. Mr Boyle responded that the actuaries believed the rating to be 'Neutral' over-all.

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Members noted that KPMG's planned fee for the audit for the year ended 31 July 2024 was £120,000 plus VAT (£118,628 in 2022/23) but that a slight increase was now expected.

5. Going Concern

Ms Beecroft presented a paper on going concern and informed members that the report was delayed due to student numbers still being uncertain. Ms Beecroft was satisfied that the paper supported the view that the University could be considered a going concern for at least a period of 12 months after certification and added that the report will be updated when the numbers are stabilised.

6. Risk Management

(i) University Risk Register and minutes of Risk Management Oversight Group

Members had received the updated University Risk Register, and minutes of the Risk Management Oversight Group (RMOG). The Chair praised the amount of progress made on the Risk Register in the past twelve months, and the sense of ownership of risk shown in the RMOG minutes. Ms Merriman suggested that the RMOG process (and accompanying update of the University Risk Register) should be undertaken three times per year, as opposed to the four scheduled for the current academic year. Ms Merriman drew members' attention to four new risks on the register, relating to 2 Islington, i3 Building, the partnership with Bellmont, and retention (which had previously been paired with student experience). Ms Merriman added that two risk scores have risen in the most recent version of the register: 'Failure to meet OfS requirements of registration' (raised due to the current situation re BCS), and 'Failure to develop a strong research, scholarship, and knowledge exchange culture and profile' (raised due to RMOG's belief that this had been rate unrealistically low in previous versions of the register). Ms Suchoparek requested further detail on the partnership with Bellmont. Ms Merriman informed members that the University has entered into a subcontractual arrangement with Bellmont, under which their staff are delivering Liverpool Hope provision). Ms Merriman added that the partnership has been added to the risk register due to an abundance of caution, owing to the newness of the arrangement. The Chair noted RMOG's discussion of the University's PCI non-compliance. Ms McLean explained that while all transactions through on-campus terminals are PCI compliant, the University itself does not have that status. Ms McLean informed members that she is working with Mr Cross (Interim Director of IT Services) to resolve this.

(ii) Management discussions on risk issues

Members had received the report detailing recent management discussions on risk

7. Internal Audit Reports

(i) Project Management – i3 Building

Members had received Project Management – i3 Building report. Members noted the three low-priority management actions, and areas of good practice identified. The Chair asked when a post-occupancy review of the building would take place. Ms Beecroft undertook to look into this.

ACTION: Ms Beecroft to check re post-occupancy review, as above.

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Ms Suchoparek drew members' attention to the section on p5 relating to letters of intent. Ms Beecroft informed members that the first letter (for £250k signed on 17th June 2022) was signed by the Chair of University Council. Ms Suchoparek asked whether the letter was approved by chair's action. Ms Beecroft undertook to check this.

ACTION: Ms Beecroft to check re letter of intent, as above.

(ii) Annual Report

Members had received the Annual Report. Dr Simpson drew members' attention to the three 'Substantial Assurance' ratings, one 'Reasonable Assurance' rating and one 'Partial/Reasonable Assurance' rating, in addition to the 'Good Progress' rating in relation to the Follow-Up Audit. The Chair asked Dr Simpson whether he was satisfied with the response times in relation to audit reports. Dr Simpson replied that this was the case, adding that one instance which had been reported as a late response by the University had in fact been due to RSM missing an email sent by the University.

(iii) Progress Report

Members had received the Progress Report. Dr Simpson reminded members that the Course Accreditation Audit will take place in December 2024.

(iv) Management Tracking of Implementation of Internal Audit Recommendations

Members had received the updated audit action tracker. Ms Suchoparek requested an update on the action relating to the Students' Union's strategic plan. Ms Merriman reminded members that the amended deadline for this action is 31st December 2024. Ms Beecroft undertook to check progress on this with Dr Haughan.

It was noted that there had been some delay implementing actions in response to recommendations in the area of procurement and that the Public Sector Procurement Act 2023 due to be implemented from February 2025 would impose some additional obligations on public bodies including Universities. Committee members wished to explore these issues in more detail at a future meeting.

ACTION: Ms Beecroft to contact Dr Haughan, as above.

Ms Suchoparek requested that the Procurement Manager be invited to attend the next committee meeting.

ACTION: Ms Beecroft to invite Procurement Manager to next meeting.

(v) Internal Audit Code of Practice

Members had received the Internal Audit Code of Practice for information. Dr Simpson assured members that RSM is fully compliant with the new global standards in this area.

8. Students' Union

Ms Beecroft informed members that two members of University staff now sit on the Students' Union's Board of Trustees. Ms McLean informed members that a representative of the Students' Union will be invited to future meetings of Finance & General Purposes

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Committee in order to answer questions members may have relating to the organisation's finances.

9. Draft Audit Committee Annual Report

Members had received the draft Audit Committee Annual Report. The Chair informed members that the committee is satisfied with the report and happy for it to be presented to University Council.

10. Value for Money Report

Ms Beecroft informed members that she is still working on the report.

11. Modern Slavery Statement

Members had received the Modern Slavery Statement. Ms Beecroft proposed that this version be uploaded to the University website, with a revised, more substantive, version to follow in March 2025. Members agreed with this suggestion. Ms McLean undertook to make sure the updated statement is uploaded in March 2025.

ACTION: Ms McLean to ensure uploading of new statement, as above.

12. AOB

Members noted that the University's anti-fraud policy is due for renewal and would be updated and submitted to the Audit Committee next term.

Members had received the TRAC Report. Members noted that the University's TRAC processes were audited by RSM in June 2024. There were no recommendations resulting from the audit, and therefore no consideration for changes to processes is necessary. The Committee were satisfied that the processes used to produce the TRAC report were fit for purpose. Ms Beecroft informed members that she and the Vice Chancellor are in discussion as to the best way to record the University's staff costs.

Dr Haughan informed members that an OfS reportable incident had taken place at the University. Dr Haughan informed members that this related to the British Computer Society (BCS) accreditation, which had expired for some courses while still being advertised on the University's website and recruitment literature. Dr Haughan informed members that this had resulted in a situation whereby c.200 students had embarked on courses listed as BCS accredited when this accreditation was in fact no longer active. Dr Haughan attributed this situation in part to a lack of centralised Quality Assurance at the time, adding that this has now been resolved with the appointment of a Senior Quality Officer and a University Accreditations and Collaborations Officer. Dr Haughan informed members that the University would be making a report to OfS and contacting affected students individually. Ms Beecroft added that financial provision has been set aside to cover any reparation to affected students. Dr Haughan informed members that University Council is being kept updated in relation to the situation. The Chair asked Dr Haughan what action the University could expect OfS to take. Dr Haughan responded that she expected it may trigger an OfS visit. Ms Merriman confirmed that the insurers are aware of the issue and PI insurance may be called upon, although until a specific claim is received the insurers will not comment on the availability of the cover..

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The Chair noted that this was the last meeting of Audit Committee to be attended by Ms Beecroft and Mr Dykins prior to their retirement. Members thanked Ms Beecroft and Mr Dykins for their long and exemplary service to the committee.

13. Date

The date for the next meeting of the Committee was scheduled for 12th March 2025.