

NORWICH UNIVERSITY OF THE ARTS

**Minutes of the Joint Audit Committee and Finance and Resources Committee
Held on Monday 29 October 2018 in the Conference Room, FH201, Francis House**

Present

Mr A Grimbly (Chair)
Mr M Jeffries
Mr A McMenemy
Prof. J. Last
Mr P Norton
Mr I Watson
Mr T Wood

Ms S Beavis, KPMG, External Auditor
Mr S Belderbos, Director of Finance, NUA
Prof. N Powell, Pro Vice Chancellor
(Academic), NUA
Mr S Quinn, KPMG, External Auditor
Mrs A Robson, Deputy Vice Chancellor, NUA
Ms A Tubb, Registrar, NUA
Mr D Williams, Clerk

In attendance

Mr S Abbas, RSM UK, Internal Auditors

Apologies

None

WELCOME

The Chair welcomed participants to the joint meeting of the Audit and Finance and Resources committees. The meeting would review the University's Financial Statements for 2017/18.

1. FINANCIAL STATEMENTS

1.1. Commentary on the results for 2017/18.

The Director of Finance introduced the main features of the results for 2017/18.

The outturn for 2017/18 was a surplus of £3.9M. Although some £2M below the surplus recorded in the previous year, the outcome was highly creditable and represented a surplus to income ratio of 17%.

During the year the University had received slightly more income (+2.0%), while expenditure rose more quickly.

As at 31 July 2018 total net assets had risen to £36.4M, having increased by £5.8M during the year. Over the same period cash had risen from £21.8M to £27.5M.

Unrestricted reserves as a percentage of income had increased to 158%. This compared favourably with the sector average of 105%.

1.2. Financial Statements for NUA 2017/18

The Committee considered the University's Financial Statements for the 2017/18 financial year.

The Committee attention was drawn to several Notes to the Accounts. The statement on a Going Concern, reflected the governors' view that based on their assessment of the resources available and the operation of the University there was a reasonable expectation that the organisation would continue to operate for at least a year from the date when the financial statements were approved.

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At the request of the external auditors a Note had been added to include a statement on the judgements made in applying accounting policies and key sources of estimation uncertainty (p.29).

The Office for Students now required that information on severance payments (p.33), and more fine-grained information on the remuneration of higher paid staff other than the vice chancellor (VC) be included in the financial statements (p.33). Further, a justification for the remuneration received by the VC needed to be included along with details of his emoluments. Two pay ratios relating to the pay multiple of the VC relative to the staff base were also required. The committee suggested it might be useful to add additional information on how the remuneration of the VC had been determined on implementation of the processes under the Remuneration Code next year.

Although completion on the purchase of the property on Duke Street had occurred after the year-end, references to the development had been included in the Financial Statements (see Note 13, p.35 and Note 26, p.46).

Valuation of the Local Government Pension Scheme (LGPS) continued to be a key area of judgement. Changes in the assumptions had the potential to significantly change the balance between the scheme's total assets and liabilities. Details of the assumptions used to value the LGPS were contained in Note 24.2. Since the previous year three key assumptions covering salary increases, increases in pensions in payment and the discount rate (from 2.7% to 2.8%) had changed. As a consequence, based on using the accounting standard methodology to value the scheme, the proportion of the scheme's deficit attributed to the University had fallen from £7.5M to £6.5M.

The Committee agreed to commend the Financial Statements to the Council for approval.

Chair

1.3. Financial Statements for NUA Business Limited 2017/18

The company is a separate entity and has its own board.

The financial statements for the University's wholly owned subsidiary, which are consolidated in the University's financial statements, were noted.

1.4. KPMG - External Auditors' Report 2017/18

The external auditor drew the Committee's attention to a summary of the audit findings (p.5) and confirmation of the auditor's objectivity and independence (Appendix 5).

The external auditors' work was substantially complete. No significant areas of concern had been identified and the auditors were expecting to issue an 'unmodified Auditor's Report.' Only one misstatement had been identified and this had been corrected. There was only one recommendation from the audit, which was considered low risk.

In respect of the LGPS, the assumptions used by the University's actuaries to value the scheme were judged to be cautious, but acceptable.

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The matter of disclosure of the VC's remuneration in the financial statements was causing difficulties to some institutions in the sector, in particular, where the head of institution enjoyed a range of benefits in addition to their salary. The situation did not arise at NUA.

The external auditors had collected and compiled information on pay ratios across their university clients the sector. A tabled paper was provided to the meeting for information.

The chair thanked the external auditors for their report and the work that they had undertaken.

1.5. Draft Management Representation Letter - NUA

Members reviewed the draft Management Representation Letter 2017/18. The contents and structure of the Letter followed a common format, which was similar to last year's. Members agreed to commend the signing of the letter to Council.

Chair

1.6. US Dept. of Education loan programme – KPMG review

The Committee reviewed the draft report from KPMG, and the representation and assertions letters to be provided by the University to KPMG.

The Committee agreed to recommend that the two letters to be sent on behalf of the Council to KPMG should go to Council for its approval.

Chair

2. CLOSURE OF THE MEETING

The Chair thanked all attendees for their participation in the meeting, and the University's finance team and the external auditors for their work on the financial statements.