

**Minutes of the Joint Audit Committee and Finance and Resources Committee
Held on Monday 26 October 2020 using Microsoft Teams**

Present

Mr A Grimbley (Chair)
Mrs A Ferguson
Mr M Jeffries
Mr A McMenemy
Mr C Owen
Mrs A Robson
Mr T Wood

Ms S Beavis, KPMG, External Auditor
Mr S Belderbos, Director of Finance, NUA
Mr M Jones, RSM, Internal Auditors
Prof. J Last, Vice-Chancellor, NUA
Ms A Tubb, Registrar, NUA
Mr D Williams, Clerk

Apologies

Prof. N Powell
Mr I Watson
Mr T Wilson

In attendance

WELCOME

The Chair welcomed participants to the joint meeting of the Audit and Finance and Resources committees. The aim of the meeting was to review the University's Financial Statements for 2019/20, and make recommendations, as appropriate, to Council.

1. FINANCIAL STATEMENTS

1.1. Commentary on the results for 2019/20

The Director of Finance introduced the results for 2019/20.

The outturn for the year was an operating surplus of £3.5M.

Total income was £24.3M. Compared with the previous year tuition fee income had risen by 3%, with all Home & EU undergraduate students paying the maximum fee of £9,250. Other income had fallen from £2.4M to £2.0M, largely as a result of the granting of rent waivers on student accommodation for the final term of the year.

Total expenditure was £12.5M, with staff costs rising by 9% and non-staff costs by 6%. The rise in staff costs reflected a number of inflationary pressures, including incremental grade point increases and a rise in employers' contribution to the Teachers Pension Scheme (TPS). The increase in non-pay costs included some costs associated with the Duke Street Riverside (DSR) development and the out-right purchase, rather than as previously leasing, of student-facing information technology equipment.

The preparation of the financial statements were based on the new Statement of Accounting Practice (SORP), and also met two additional requirements arising from the Accounts Direction issued by the Office for Students (OfS). These related to Grant and Fee income (Note 4 to the Financial Statements) and spending on Access and Participation (Note 11). The access and participation spend was required to be audited and for the external auditors to express an opinion as to the accuracy of the returns.

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The external auditor informed the committee that in assessing the access and participation spend, materiality had been set at 2% of expenditure. While expenditure on financial support to students was relatively easy to audit, the absence of timesheets for individual staff spending part of their time on access and participation activities was more of a challenge. Different methods of accounting for, and costing of staff time had been adopted across the higher education (HE) sector. In an attempt to find a common and agreed way forward, discussions on the matter involving the various audit companies and representative HE bodies with the OfS were on-going. It was hoped that further clarity on the matter would be issued by the OfS in time to finalise and sign-off the University's accounts at the 13 November 2020 meeting of the Council. Should the required clarity not be forthcoming by this date, the University had until the end of January 2021 to finalise its accounts and submit them to the OfS.

The impact of Covid-19 had led to increased attention and work being undertaken by the auditors to assess the matter of "going concern" for all HE clients.

The committee's attention was drawn to the assets under construction (Tangible Fixed Assets, Note 13) and the reasons why some costs relating to the DSR site had not been capitalised were discussed. The valuation of the Local Government Pension Scheme (Note 24) was also considered.

The full-year effects of Covid-19 were estimated to have been c.£1M.

The University was continuing to follow guidance from the OfS in offering a 'broadly equivalent' education to its students. Notwithstanding uncertainties in respect of the further path of Covid-19, a need for institutions to refund in full or part tuition fees was not judged to be likely.

1.2. Financial Statements for NUA 2019/20

The Committee considered the University's Annual Report and Financial Statements for 2019/20.

The Director of Finance noted that he had received several minor changes to the front-end narrative of the Annual Report and Financial Statements.

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

Chair

1.3. Financial Statements for NUA Business Limited 2019/20

NUA Business Limited is a wholly owned subsidiary of the University, and its financial statements are consolidated in the University's financial statements.

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

Given the net liabilities position, the committee noted the need for a letter of support from the University to NUA Business Limited.

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The financial statements for NUA Business Limited were noted.

1.4. KPMG - External Auditors' Report 2019/20

The external auditor confirmed to the committee that their audit was substantially complete and there were no concerns regarding the matter of going concern.

One unadjusted audit difference – the recognition of tuition fee discounts in operating expenses - had been identified. This had no effect on the surplus for the year or the opinion in the auditor's report.

The Chair thanked the external auditor for their report and the work that they had undertaken.

1.5. Draft Management Representation Letter - NUA

Members reviewed the draft Management Representation Letter 2019/20. The contents and structure of the Letter followed a common format. The Letter was similar to the letters issued in previous years and no specific representations were required. Members agreed to commend the signing of the Letter to Council.

Chair

2. CLOSURE OF THE MEETING

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