

HEFCE Assurance Review

University of Leicester

Date of Visit: 23 November 2011

Final Report: 10 September 2012

Reviewer: Andrew Bush

Introduction

1. A HEFCE Assurance Review was undertaken at the University of Leicester (“the University”) on 23 November 2011. The aim of the review, as set out in HEFCE Circular letter (25/2006) ‘Assurance Service work in higher education institutions’, was to examine how the University exercises accountability for the public funding which it receives.

Scope

2. The University is required to demonstrate to HEFCE, through its various returns, that:
- it has adequate and effective risk management, control and governance;
 - funds have been applied only for the purposes for which they were received;
 - it is financially sustainable;
 - value for money (VFM) is achieved; and
 - data can be relied upon.
3. The returns on which HEFCE place reliance are:
- Audited Financial Statements;
 - External Audit Management Letter;
 - Annual Report of the Audit Committee;
 - Annual Report of the Internal Auditor;
 - Annual 5 year financial forecasts and commentary;
 - Annual Monitoring Statement and Corporate Planning Statement;
 - Transparent Approach to Costing (TRAC) return;
 - HESES (student data) return and RAS (research activity) return; and
 - Designated Officer’s Annual Assurance Return – Annex E to the Model Financial Memorandum between HEFCE and institutions (HEFCE publication 2010/19).
4. In undertaking an Assurance Review we may conclude one of the following:
- We are able to place reliance on the accountability information.
 - We are able to place reliance on the institution’s accountability information, but have made recommendations for improvement in a number of areas.
 - The institution needs to implement recommendations so that we can rely on the accountability information.
 - We cannot place reliance on the accountability information.

Overall conclusion

5. Our overall conclusion is that we are able to place reliance on the University’s accountability information.

Assurance Review findings

Introduction

6. This section of the report includes our key findings from the Assurance Review and observations by exception. The review covered annual accountability returns for 2009-10 and those submitted 1 December 2011.

Governance

7. There is evidence to support the University's regard for the Committee of University Chairs (CUC) guidance for Governing Bodies. The University undertook an effectiveness review in 2010, facilitated by external reviewers, as part of some pilot work by the Leadership Foundation.

8. The review identified a great deal of good practice and confirmed that the University 'has a comprehensive structure of governance that conforms to best practice'. The University has developed an action plan based on the findings from the review and there was evidence of these issues being taken forward e.g. Council away day. We also noted that the Audit Committee undertakes a self evaluation of effectiveness on an annual basis. The University may wish to invite the chairs of other committees of Council to consider the introduction of self-effectiveness reviews in due course.

9. We noted that the University maintains a register of interests for Council members and senior staff. Declaration of interests is also a standing agenda item of Council and its sub-committees. We understand that the University's purchasing policy requires all staff involved in procurement decisions to declare any personal interest which may impinge upon their impartiality in any matter relevant to such duties. We suggest that it would also be good practice to provide the Purchasing Office with a copy of the University's central register of interests.

10. Discussions with management and governors confirm that key performance indicators are reported to Council outlining performance against the targets in the strategic plan using a traffic light system.

11. The University has adopted a model Statement of Primary Responsibilities, in line with the CUC Code. We note that this is publicised on the University's web site, and this is referred to in the financial statements. We acknowledge the disclosure of the financial/control responsibilities of Council in the financial statements and that for completeness commencing in 2011-12 the Statement of Primary Responsibilities will be published in the financial statements.

Audit Committee

12. Discussions with the Chair of Audit Committee and a review of the minutes indicate that the Committee understands its responsibility in respect of risk management, control and governance, value for money, and data. The Committee meets four times a year and meets in private with the external and internal auditors. Regular internal audit progress reports, the internal audit annual report, the internal audit plan, external audit plan and management letter are considered by the Committee.

13. The Committee also receives reports from the Vice Chancellor's Advisory Committee on the statement of internal control and risk management. Additionally the group receives a report from the Budgetary Control and Value for Money Group reporting on its activities and progress against its annual VFM plan, which together with any Internal Audit assignments on VFM, forms the basis for the Committee's assurance on VFM. During the review we noted that the University also commissions VFM reviews from Southern Universities Management Services (SUMS) on a range of topics. However, these reports have not previously been reported to Audit Committee, although we noted a briefing paper on SUMS activity was presented to the November 2011 meeting. Moving forwards the Audit Committee may wish to consider the range of assurances it receives on VFM issues in order to decide whether it is possible for these to be developed and augmented in any way.

Audit Committee Annual Report

14. We are pleased to note that the 2010-11 annual report gave clean opinions in respect of risk management, control and governance arrangements, economy, efficiency and effectiveness, and the management control and quality assurance of data provided to HEFCE, HESA and other public bodies.

15. We noted that the Committee received a report on student data returns, the key risks and assurances at its November 2011 meeting. The Audit Committee is already working with data assurance maps for the HESA and HESES returns, which take the form of a schedule of the risks attached to each return and the mitigating actions in place. It has requested that the internal auditors start a new programme of data sampling tests to broaden the assurance base. This is a welcomed step and we encourage the committee to consider its forward agendas such that other assurances around other key data processes are received in year to complement those from internal audit.

16. The Vice Chancellor's Advisory Committee has responsibility for the management of risk and the Audit Committee has responsibility for independently reviewing and providing an annual opinion on the effectiveness of risk management arrangements. To fulfil this responsibility it receives evidence from both internal audit and management.

Internal audit annual report

17. This report provided significant assurance in respect of adequacy and effectiveness of risk management, control and governance processes, and arrangements to promote economy, efficiency and effectiveness.

18. Internal audit provided significant assurance in respect of risk management and student records. There appears to be good balance between core assignments and risk based assignments. A review of Savings and Betterment has been performed by Internal Audit to appraise the framework established to identify, manage, monitor and report on the required savings in addition to promoting good practice. This report provided a Significant Assurance rating.

Corporate Planning Statement (CPS) and Annual Monitoring Statement (AMS)

19. The completion and submission of the CPS and AMS is the collective responsibility of the Vice-Chancellors Advisory Committee. The collation of the AMS is led by the Head of Planning.

20. The CPS is essentially the strategic vision to 2015 which was approved by Council.

Transparent Approach to Costing (TRAC) return

21. The University embraces the TRAC process positively and jointly led a sector study into course costing approaches in the HE sector during the year. The Audit Committee confirmed compliance with the TRAC requirements and all but two minor areas listed in the key risk sign off at its February meeting. There is also a TRAC Committee in place that oversees the TRAC process during the year and reports to the Finance Committee.

22. It is encouraging to note that TRAC is being used within the University and it has helped to inform the approach that has been developed to course costing.

23. The University also received an assurance visit from Research Councils UK in July 2011 and substantial assurance was provided.

Financial Statements and External Audit Management Letter

24. The financial statements are reviewed by the Audit and Finance Committees prior to approval by Council. The Vice Chancellor's Advisory Committee co-ordinates the collection of information and prepares an annual report on the effectiveness of risk management and internal control for the July Council meeting. This provides additional assurance to governors in support of their statement on internal control in the Financial Statements.

25. The University appears to have good control of its finances as evidenced by its progress towards savings targets and financial performance across the Colleges. Budget reports are provided to Heads of College on a monthly basis and we understand that these are reviewed and discussed in College Management Groups.

26. The External Audit Management Letter was reviewed by the Audit and Finance Committees. There were no significant issues raised in the management letter, and we note that a number of residual control issues regarding IT are being progressed. The University received two reports from External Audit and to date only one management letter document has been submitted as part of the accountability process. Moving forwards we would draw attention to the requirements for any secondary reports to be submitted as part of the Accountability Return process (see HEFCE Circular 2011/28 paragraph 53).

Financial forecasts

27. The five year forecasts were presented to a joint meeting of Strategy Policy and Resources Committee and the Finance Committee and retrospectively approved by Council in May 2011 after submission to HEFCE in April. We expect any submission of financial information to have been approved by the governing body, but recognise that the submission date of the forecasts in the last 2 years has moved away from December and therefore retrospective approval by the governing body has been allowable under these circumstances.

28. Management and Council fully debated the setting of tuition fees and there is clear evidence of the decision being linked to the financial strategy of the University. We understand that the Director of Finance has led a scenario planning exercise as part of the financial planning process. We noted that the financial forecasts plans for a surplus of 1.7% of turnover in 2011/12, rising to 4% over the forecast period. However, we understand that this includes some contingency, given the future uncertainties.

29. The University operates its own pension scheme (closed to new members), the Leicester Pension and Assurance Scheme and at the end of July 2011 the scheme had a deficit of £22m. The University has a Pensions sub-group to oversee the University's interests in the Scheme, which sits separately to the Pension Scheme Trustees. The Sub Group reports to Finance Committee and this is a frequent report, demonstrating the close monitoring that takes place over the scheme.

Annual Assurance Return

30. The Vice-Chancellor is the Accountable Officer (formerly Designated Officer) of the University and he supplied the required return providing the necessary assurance. Clarity of objectives and reporting lines, and confidence in systems provide the Vice-Chancellor with assurance when signing the return. Attendance at Vice-Chancellor Advisory Committee meetings ensures the Vice-Chancellor is kept well informed. Significant issues that might impact on the University would be reported to the Vice-Chancellor promptly.

31. We noted that the Annual Assurance Return was reported to Council in April 2011, following submission in December 2010. We acknowledge that in line with good practice and commencing with the returns for 2011-12 the University will ensure that Council and the Audit Committee receive a copy of the completed Annual Assurance Return form at the same time as they receive the audited financial statements and related material.

32. The Academic Registrar is responsible for the HESES return. The Vice-Chancellor is actively engaged with data quality issues and meets with key staff to discuss the appropriateness of the University's approach. We noted that the University is continuing to implement an issue identified in the last HEFCE HESES audit regarding the non completion statuses of Post Graduate Taught students and urge management to reach closure on this recommendation.

HEFCE assurance reporting

33. This report will be made available under the HEFCE publication scheme.

34. The report has been prepared for HEFCE and for use within the University. It does not include every matter that came to our attention during the review. Whilst we have no objection to the report being made available to third parties, no responsibility is accepted for any reliance third parties may place upon it.