

Clarification from the OfS regarding its expectations in relation to disclosures about access and participation expenditure

1. Where a provider has an approved access and participation plan for 2019-20 or 2020-21, we expect it to seek to meet its commitments, both to current students, under a 2019-20 plan, and to future students, under a 2020-21 plan. It is particularly important that providers deliver the direct financial support to current and future students set out in its plans.
2. We have informed providers, in the communication issued on 25 March 2020¹, that after the coronavirus (COVID-19) pandemic period we will assess how providers have sought to meet their commitments. In doing so we will take into account the circumstances and assess whether a provider has made reasonable decisions that take into account the needs of students, especially students from underrepresented groups.
3. The OfS accounts direction applicable for reporting periods beginning on or after 1 August 2019² stipulates that providers must disclose expenditure on access and participation and that this disclosure must be explicitly covered in the external auditor's report. We expect auditors to relate a materiality threshold to the overall spend on access and participation (and agree it with their clients, as is the normal practice). Therefore the materiality threshold for audit testing in this area is expected to be significantly lower than the threshold set for the financial statements as a whole.
4. The auditor's report should state whether or not the expenditure on access and participation disclosed in the accounts has been materially misstated. We recognise that gaining assurance over the completeness of the access and participation spend being reported presents challenges for auditors and would ordinarily lead to additional work. We confirm that we expect auditors to focus the misstatement risk, and therefore work undertaken, on existence of spend rather than completeness.
5. The OfS requires disclosure of all investment that supports the ambitions in the access and participation plan and that the spend is reported in four categories. Our expectation is that for 2019-20, access spend is aligned to expected spend under the access category in the access and participation plan, spend in respect of support for disabled students and research and evaluation is disaggregated from the success and progression category in the plan and financial support is aligned to the financial support investment outlined in the plan. It is possible that the actual expenditure reported is different from the commitments in the approved plan. At some providers the coronavirus pandemic may have led to fundamental shifts and spend in some areas being materially reduced. Some providers may have spent more, as well as less, than the amounts outlined in their plans for reasons other than the pandemic. We have already

¹ Available at www.officeforstudents.org.uk/publications/regulatory-requirements-during-the-coronavirus-covid-19-pandemic/.

² Available at www.officeforstudents.org.uk/publications/regulatory-advice-9-accounts-direction-accounting-periods-beginning-on-or-after-1-august-2019/.

stated³ that providers have flexibility in how they use access and participation monies, so variations in the relative proportions of the spend in the four categories (as compared to the approved access and participation plans) do not constitute reportable events and are not likely to lead to breaches of the OfS regulatory requirements. During the coronavirus pandemic period we have revised our requirements for reportable events to minimise the regulatory burden on providers. When we reapply our regulatory requirements, we will require monitoring returns in respect of access and participation plans. When making regulatory decisions in the future, we will look at whether providers made reasonable decisions about the delivery of the commitments in their plans. It is therefore critically important that providers have clear and robust rationale if they are not able to meet the commitments in their plans and are clear that they have explored reasonable alternatives. As with all significant decisions in these uncertain times, this could mean recording the reasons clearly.

Clarification from the OfS regarding its expectations in relation to the content of audit opinions

6. A number of providers and auditors in the sector have raised concerns that due to the level of uncertainty related to the implications of the coronavirus pandemic, combined with uncertainties related to the UK's exit from the EU, some audit opinions for 2019-20 are likely to contain a 'material uncertainty relating to going concern' paragraph or be qualified on a 'going concern' basis. Note that a material uncertainty on going concern is not a qualified opinion.
7. The OfS accounts direction stipulates that providers' financial statements must be audited by independent external auditors. There is no expectation, or indeed a requirement, that the auditor's report must be unqualified. While the OfS places significant reliance on the reports from external auditors in assessing providers' compliance with ongoing conditions of registration, obtaining a qualified audit opinion is not a breach of these conditions in itself.
8. During the coronavirus pandemic the OfS has introduced a new reportable event related to short-term financial risk. Providers are required to report to the OfS if they consider it to be reasonably likely that their liquidity will drop below 30 days at any point during a rolling three-month period from the date of the report. The OfS does not require external auditors to cover these reports in their work.
9. On 9 April 2020 UK Research and Innovation (UKRI) announced that, due to the coronavirus pandemic, UKRI-funded doctoral students in their final year are eligible for an extension of up to six months to their research and also eligible for additional grants. UKRI has published guidance advising research organisations on how existing grants can be used to support their students.⁴ The guidance clarifies what costs are covered by the extension, which will be helpful to auditors when arriving at their opinions on whether funds provided by UKRI have been applied in accordance with the relevant terms and conditions.

³ See www.officeforstudents.org.uk/advice-and-guidance/coronavirus/provider-guide-to-coronavirus/regulatory-requirements.

⁴ Available at <https://www.ukri.org/news/coronavirus-impact-on-ukri-supported-research/#Training%20grants>