

HARPER ADAMS UNIVERSITY

Audit and Risk Management Committee

Minutes of a Meeting of the Audit and Risk Management Committee held on 18 May 2017 in the Boardroom

Present:	Mr P Cowdy Mr M Griffiths Mr C Tweed	Chairman (Co-opted member)
In attendance:	Dr D Llewellyn Dr C E Baxter Mrs L Furey Ms K Smith Mr M Dawson Ms S Khanam	Vice-Chancellor (Observer) University Secretary Director of Finance RSM KPMG KPMG

Apologies: Mr R Hambleton

Members were reminded to update their entry in the Register of Interests as necessary.

16/29 Minutes

Approved: the minutes of the meeting of the Audit and Risk Management Committee held on 16th February 2017 (16/19 – 16/28) subject to amending the minor typographical error at minute (16/26) **CEB**

16/30 Matters Arising

Received: a report prepared by the University Secretary.

- Noted:
- i) that the Director of Finance has drawn a group of staff together who are actively reviewing opportunities to develop further training, focussing in particular around cyber security and online fraud. Through discussion, the group has recognised that there may be an opportunity to draw together the latter training together with further Data Protection training particularly with respect to the incoming General Data Protection Regulations (GDPR). The additional training around GDPR would supplement the existing Data Protection training that already takes place;
 - ii) that a number of products had been evaluated, and it appears to date that ACISA online training package is most likely to be suitable together with a training pack developed by BUFDG focussing on fraud. A company had been asked to provide an estimate of cost for developing such a bespoke training package, drawing together these particular materials. The training company is a subsidiary of UCISA, and hopes to be able to offer the University a suitable product to meet its needs;
 - iii) that subject to the product becoming available, the training would be rolled out to all staff on a mandatory basis within the next 3 months; **LF**
 - iv) that regular briefings for students on cyber security would continue to be issued by the IT service desk.

- v) that the University has taken careful steps to respond to the recent cyber-attack that has affected the NHS and other worldwide major organisations. All University owned PC's and laptops have been reviewed, and security updated as necessary with a new patch. A complete review of desktop PC's has also been undertaken by the IT Team, and thanks were due to Team for working over the weekend to ensure that the cyber risks were reviewed and any additional actions taken as necessary. **LF**
- vi) that the HEFCE Annual Assessment of Institutional Risk was now included in the feedback from the annual provider review process, which was an item later on the agenda (item 8). The University had provided the additional information requested in relation to workforce development activities, and this had now been fully considered as part of HEFCE's thematic audit across all Universities who offered this particular type of provision.
- vii) that it was noteworthy that the last quality assurance review for Harper Adams, also considered its arrangements for workforce development and engagement with industry and noted this as an area of good practice.
- viii) that a copy of Professor Mills' presentation on the "Management of Research and Knowledge Transfer" had been circulated to members following the meeting in February 2017.

16/31 **Risk Management**

Received: a report from the University Secretary.

- Noted:
- i) that as agreed during the annual review of the risk analysis and action plan, the University considered to continue to pay close attention to the risk rating around Home Office Licences for international student and International staff recruitment. In particular, there had been a recent case involving a small institution which had lost its TIER 4 Licence due to having two student applications refused. This had also led to potential issues around the licence for international staff, as especially in smaller Universities the licences tend to be linked. The University Secretary had asked relevant colleagues to discuss this with the Premier Service contact at the Home Office, and explore whether or not decoupling the licences might be an appropriate step to consider.
 - ii) that the approval of the updated Memorandum of Agreement between the University and the Students' Union had been approved by the Trustees of the Students' Union, and following that by the Board of Governors at its meeting in April 2017. The revised document had provided additional clarity around the interactions between the University and the Students' Union, and the various reporting arrangements that were in place to fulfil the University's duties under the Education Act.

16/32 **Follow up on Internal Audit Reports**

Considered: A report from the University Secretary on progress made to address recommendations arising out of previous internal audit reports.

- Noted:
- i) that positive progress was reported by staff responsible for completing the actions set out in the report.

- ii) that it was particularly pleasing to see that the Students' Union had completed the final action arising from its report conducted in 2015/16. The internal auditors would be reporting on their follow up at the forthcoming meeting on the 29th June 2017. Informally the University Secretary had been advised by the internal auditors that good progress had been made;
- iii) that the Committee would be interested to understand the reasons why the Students' Union Trustees had decided to delay a review of the SU's reserve policy until August 2017. The University Secretary agreed to seek clarification of this point and to report back to members of the Committee in due course. **CEB**
(post meeting note- SU has clarified the position as follows: SU Trustees did in fact also review and agree the SU reserves policy in April 2017 as part of their overall annual review of financial policies. The review in August 2017 is a further review at the start of the new financial year to ensure the reserves policy remains in line with budget decisions and any other factors arising from year end and plans for 2017/18)

16/33 Internal Audit Reports

Received: i) a progress report for internal auditors.

- ii) final reports on:
 - i) Non-core Income (Catering, Library & Conference)
 - ii) Value for Money – Domestic Services
 - iii) Cyber Risk and Data Security

Noted: i) that the internal audit plan for 2016/17 was progressing, and final reports would be available and presented to the Committee by its meeting on 29th June 2017. There had however been a slight delay in completing the report on postgraduate research student data, this is due to illness within the RSM team. This factor had also slightly delayed the audit of the access agreement. Nevertheless the relevant RSM staff had commenced reviewing the documentation submitted in advance of the site visit by the audit team, and dates were now agreed to complete this work so that final reports could be presented to the Committee at its June 2017 meeting;

RSM

- ii) that the internal auditors report on non-core income had highlighted that small amounts of cash were being taken by the library for items such as stationery. Due to the rural nature of the campus, and the lack of access to stationery or similar shops in the nearby vicinity the provision of these items were a useful service for students. The Director of Finance confirmed that the University continued to move towards cashless payments, and that an online shop for sale of small items by the library staff will be set up; **LF**
- iii) that the Catering Department had already introduced a system with the assistance of the Finance Team to enable staff and students to electronically upload cash to their University Identity Card online, and this removed the need for the older physical cash card loaders that had previously been on site. The Catering Team continued to encourage

staff and students to use cashless payments and the amount of cash taken had reduced;

- iv) that the Conference and Short Course Office occasionally take some payments in cash on two occasions a year, due to the preference of particular conference groups for paying in this way. A significant amount of these payments were in the form of cheques rather than cash, but nevertheless it had been agreed to try and reduce such payments as far as possible and encourage the relevant conference clients to use cashless methods;
- v) that the insurance limit on University safes could not easily be further extended, although the safe was located in a lock and alarmed room within a locked building. Nevertheless when major events were planned, the Finance Team would reduce the petty cash held in the safe and would arrange for more regular cash collections as necessary to try and ensure that the total value of cheques and cash held in the safe remains as small as possible;
- vi) that overall the internal auditors had found that existing procedures were appropriate, and that the main outcome of their work was to emphasise the importance of adhering to existing procedures and formalising them where necessary;
- vii) that the internal auditors report on Value for Money – Domestic Services recognised that this work had focused on a piece of work carried out by the University, in which it was seeking to identify ways of ensuring that the Domestic Services provided to student halls of residence were effective and efficient and that arrangements for ensuring the quality of the work done were in working effectively;
- viii) it was recognised that the University's aim in conducting the review of the Departments work, was to try and maintain the student experience at a high level while ensuring that costs for providing the service were managed wherever possible and opportunities taken to reduce costs where this was appropriate. This exercise had taken place against a backdrop where the campus was developing additional halls of residence and there was a need to try and maintain the student/customer experience while ensuring that cleaning costs did not escalate unnecessarily;
- ix) that in light of this, internal auditors had acknowledged that setting "Smart" targets was not necessarily appropriate, however the exercise had a Value for Money benefit as it had focused on cost management efficiency and effectiveness and had reduced the University's overall exposure to a risk of growing costs in this area. It had also addressed culture and practice, and led to an improvement in overall Value for Money. This was particularly evident as although the number of days per week that student study bedrooms and common areas were cleaned in halls, no student dissatisfaction had been expressed with the reduced number of visits per week and in fact in some instances students had felt that the reduction in visits was appropriate and provided them with a further degree of privacy in their study bedrooms;

- x) that it would be helpful for RSM to share with the University their framework for Value for Money studies, so that the University could consider, where appropriate, applying all or some of the “Smart “ principles suggested by RSM’s framework to some of the projects that it was already undertaking. The University was also paying close attention to the recent HEFCE guidance and consultation in relation to procurement and Value for Money, and would be addressing immediate cost savings etc. in its revised Procurement Report due to be submitted to the Committee for its review during Autumn 2017. It was not therefore the case that the University was not aware of value for money principles, it was rather that these were being applied appropriately to projects especially where there was a need to ensure that student experience was maintained while cost efficiency and effectiveness were also being carefully monitored and reduced or enhanced as necessary.
- xi) that the review of cyber security arrangements had identified that Harper Adams’ arrangements were appropriate, and performing in line with the arrangements observed by RSM at their other Clients. KPMG also confirmed that the arrangements at Harper Adams were similar to those that they see at the other Universities in which they act as auditors.
- xii) that there is an ongoing debate amongst UCISA at the current time, about whether user passwords should be mandated to be complex rather than changed on a very regular basis. Harper Adams was monitoring this debate closely.
- xiii) that the University did not have a large number of super users and therefore although this would remain under careful review, there were not similar issues to those that may be experienced at other Universities.
- xiv) that management responses had been included in each of the internal audit reports, and the Committee would receive an update on progress with actions at its Autumn 2017 meeting.

16/34 Internal Audit Plan 2017/18

Noted:

- i) that RSM had reminded the Audit Committee as part of its draft audit plan documentation, about the sorts of key questions that the Committee may wish to consider when approving the internal audit strategy.
- ii) that RSM had met the University Secretary and the Director of Finance, and had presented to them a draft plan based on their knowledge of the sector and the general scope of reports that were taking place amongst their other Clients. The University Secretary and Director of Finance had fed into the discussion, and there had also been consultation with the Vice-Chancellor as accountable officer. These discussions had led to the draft plan that was included on the Agenda.

- iii) that the internal auditors had also completed a mapping, showing how the plan engages with key risks identified in the Risk Analysis and Action Plan. This document mapped internal audits undertaken since 2014/15, and also projected those being proposed for 2017/18. This Document was circulated to members at the meeting.
- iv) that independently the Chair of the Committee had also reviewed and mapped how the internal audit plan would review and engage with the major risks identified in the University's Risk Analysis and Action Plan, and in light of this how the internal audit report could provide suitable assurances to the members of the Committee such that they could in turn provide a suitable annual report to the Board of Governors in relation to assurance as part of the year end process.
- v) that as discussed in previous years in the case of Harper Adams, there were some key risks such as access to adequate farm land that were not necessarily appropriate for internal auditors to review or audit. However members acknowledged that these risks were subject to regular discussion at the Farm Strategy Committee, which in turn reported to Finance and General Purposes Committee and to the Board and that in addition to this, these areas were often subject to discussion as part of the Vice-Chancellor's report to the Board.
- vi) that in a discussion around ongoing key concerns for the University, members acknowledged that the University continued to recognise the risks around ensuring student recruitment remained buoyant and that targets were met as far as possible particularly in the very competitive climate and the current demographic downturn. It was noted in this regard that the internal auditors had previously looked at student journey/student experience, and would be looking at the experience of International students during the next audit cycle.
- vii) that the audit plan included work focusing on value for money, general cost management and efficiency;
- viii) that the University also remain concerned to maintain staff morale, recognising that Universities rely on interaction between people and positive staff engaging the students was important to maintain the student experience and the University's profile. In this regard the Committee acknowledged that the University conducts its staff survey every two years, and that there has been discussion at the JCNC Committee and at the University Executive about ways in which the staff experience can be reviewed and enhanced wherever possible, in addition to the ongoing focus of the University on ensuring that the student experience remains high quality. It was recognised that there are often challenges around balancing staff workload, engaging staff and ensuring that staff remain motivated when there are many changes which need to be addressed in the HE sector.
- ix) that in light of the above discussion it may be helpful for RSM to review again the focus of the proposed HR element of the plan for 2018/19. Although it was recognised that looking at gender pay gap, reporting

was important, nevertheless members suggested that perhaps a wider scope looking at how the University motivates its staff may be a more appropriate focus, and there may for example be an opportunity for auditors to look at how the University plans, develops and responds to the staff survey. A further focus could be on the effectiveness of succession planning. **RSM**

- x) that in light of the detailed discussions, the Committee members confirmed that they were satisfied that sufficient assurances would be received to monitor the University's risk profile effectively, they also agreed that the strategy covers the organisation's key risks as they are recognised by the Committee, and that the areas selected for coverage during 2017/18 were appropriate. The Committee also agreed that the standards within the Charter in Appendix C of the document were appropriate to monitor the performance of internal audit.
- xi) that RSM continue to engage with Horizon Scanning, and actively puts suggestions forward to their HE Clients for areas that would be helpful to be included in audit planning and/or risk registers. RSM also keep under careful review the regulatory environment, and were aware of forthcoming changes in relation to the implementation of the Office for Students, and changes to major data returns such as the HESA return and the DHLE etc. It was also recognised by the Committee that there may be a need to plan ahead and prepare for subject level TEF which was due to take place in 2021.
- xii) that the internal auditors had reviewed risk maturity in 2012/13, and at that stage had identified that Harper Adams was not in the highest category of "risk maturity". The Chair asked whether or not, in the view of the auditors, this assessment had changed, and whether the maturity assessment should be reviewed again. In discussion, RSM agreed to review this area and put forward their comments at the forthcoming meeting in June 2017. It was also acknowledged that since 2012/13, internal Audit had considered an aspect of Risk Management during each year, and that this had formed part of the assurances provided to the Audit Committee for its annual report. Members suggested that as part of the annual review of the Risk Analysis and Action Plan undertaken by Management, it would be helpful to further underline in the prevention of assurance in addition to management actions that would be taking place to manage risks, and that this emphasis would further enhance the presentation of the plan.

CEB

Agreed:

- i) to approve the internal audit plan 2017/18 as presented in the papers.
- ii) to ask RSM to feedback on the discussion points noted above at the meeting in June 2017. **RSM**
- iii) to ask the University Secretary/other Senior Managers in reviewing the Risk Analysis Action Plan, to take account the comments made by the Committee noted above. **CEB/SMT/UNIVERSITY EXECUTIVE**

- iv) that RSM will prepare an update on their assessment conducted in 2013 of risk maturity for the 2017 meeting and will reflect on the audits they had conducted since that date, and would include benchmarking of the University's performance in managing risks against the performance that they see in their other HEI Clients. **RSM**

16/35 **External Audit Plan year ending 31st July 2017**

Considered: the draft external audit plan for year ending 31st July 2017.

- Noted:
- i) that the proposals were very similar to the external audit plan for 2016. However in 2017 there had been no further changes in accounting standards, although there had been some changes in auditing standards and these were outlined in the proposed plan.
 - ii) that the changes to auditing standards would lead to a slightly different form of opinion, however the assurances would be the same.
 - iii) that the Executive Summary presented by KPMG highlighted the same significant risks as those highlighted in the previous year, in particular income recognition and the risk of management override of controls. These were standard areas which KPMG focussed on in their Clients, and were not unique or particular to Harper Adams. There were however a small number of areas that were more specific to the University, which related in turn to the highest risks identified in the University's Risk Register such as HEFCE funding and the University's ability to respond to the economic climate.
 - iv) that the materiality limits were similar to those in 2016.
 - v) that KPMG External Audit Team would once again audit Cedar Energy and the Adams University Development Trust as part of its work.
 - vi) that the KPMG Team as previously reported, had a significant degree of continuity although Mark Dawson's role had become more senior and Mike Rowley had now undertaken the role of Relationship Manager. Mark Dawson would be signing off the accounts in due course. The Audit Manager and the person leading the audit team in its field work would remain the same as in the previous year.
 - vii) that as part of year end reporting, KPMG would present a summary of any other non-audit work completed during the year. To date this included a small amount of tax advice, and as previously noted a separate team within KPMG consultancy had provided a review of academic workload arrangement.
 - viii) that KPMG would continue to do the annual piece of work to certify the contributions made to the Teacher's Pension Scheme.
 - ix) that KPMG continued to remain in touch with changes to the LGPS scheme and were aware that when benchmarked against other LGPS

schemes, the Shropshire LGPS remains a relatively strong scheme although the University continued to keep the situation under careful review.

- x) that as reported at the Board meeting in April, the University would be introducing an NEST scheme for “workers” paid via the payroll for specific tax reasons.
- xi) that the valuation of the LGPS March 2016 did not reveal a major change. The next valuation would take place in 2019 with any changes coming into force with effect from April 2020.
- xii) that the dates for conducting and preparing reports arising from external audit activity, had been agreed with the Finance Team.

Agreed: to approve the external audit plan for year-end 31st July 2017.

16/36 **HEFCE Annual Assessment of Institutional Risk**

Received: i) a copy of HEFCE’s letter advising the University of the outcome of the annual provider review process, which included the statement of HEFCE’s risk categorisation for Harper Adams University based on financial sustainability and good management and governance matters, and the judgement on quality and standards matters reached by HEFCE’s Independent Quality Committee. These outcomes replace the former “Annual Assessment of Institutional Risk” letter.

Noted: i) that the outcome for Harper Adams was positive with financial sustainability, good management and governance matters being deemed not at higher risk and no action required, and quality and standards matters being deemed as meets requirements with no action required.

ii) the decision on quality and standards included the Committee’s consideration of additional information on what workforce development arrangements that had been requested from the University, together with others who had similar provision.

iii) that the statistics attached to the report, were similar to those that had been drawn upon for the TEF exercise which had already been shared with the Board earlier in the year.

iv) That the University would wish to continue to focus on student retention where its current performance was at benchmark, and where possible, it would wish to perform above benchmark. There had been a discussion on this matter at the University Executive at the beginning of the week. A number of actions were being progressed.

16/37 **Accounting Policies**

Received: an oral report from the Director of Finance.

Noted: that no changes to accounting policies were proposed following those agreed in light of FRS102 for year-end July 2016.

16/38 Annual Review of the Business Continuity Plan/IT Disaster Recovery Plan 2016/17

Considered: i) proposed updates to the Business Continuity Plan 2017/18.

ii) proposed updates to the IT Disaster Recovery Plan 2017/18.

Noted: i) that following review no changes were proposed to the Business Continuity Plan for 2017/18.

ii) that key changes proposed to the IT Disaster Recovery Plan 2017/18, related to changes to key personnel and equipment with no fundamental changes being recommended for the forthcoming year.

iii) that since the last report to the Committee, the University IT team was very pleased that its 10 year work to secure a secondary link to the internet had been secured and that this will significantly improve resilience. This had been particularly difficult to procure in giving the rural nature of the University's location.

iv) that there had been challenges to IT infrastructure due to the damage caused by contractors to the NIPH substation. There had been some initial issues around reinstatement of Wi-Fi, and further actions had now been taken to ensure that further resilience was in place.

v) that the University had not needed to revert to off-site data recovery (DAISE) however the IT team had worked hard to reinstate onsite facilities as soon as possible, and where necessary staff had been relocated to alternative buildings.

vi) that the team would be looking at improvements to telephony and a tender was currently being developed.

vii) that IT continue to test resilience regularly and as part of this, would consider whether or not there was a need to seek further testing in relation to penetration in particular.

Approved: i) the Business Continuity Plan 2017/18

ii) the IT Disaster Recover Plant2017/18

16/39 Value for Money

Considered: a report by the Director of Finance on progress with the Value for Money Plan for 2016/17.

- Noted:
- i) that the report provided the Committee with an update on progress with the key objectives and plans agreed earlier in the year.
 - ii) that the VFM Strategy remains under review. In particular work was under way to review the existing KPI's, and develop the new reporting framework which would be required to meet HEFCE requirements.
 - iii) that no further HEFCE guidance had yet been published, although it was understood that the final guidance would be similar as that which had been previously reported;
 - iv) that the forthcoming procurement report would have clear cash savings included in it;
 - v) that F & GP continued to be interested in procurement, and would be engaging with the reporting process in due course;
 - vi) that due to changes introduced as part of the improvements to finance systems, one full post had already been saved in the Finance Team. It had also been the case that due to a vacancy elsewhere a skills match had been possible, and therefore the cost of recruiting a new member of staff to the vacancy had also been saved. The overall savings in relation to this were c. £17.5K.

16/40 **Management of Student Data/Other Key Data Returns**

- Received:
- i) a report from the Academic Registrar and Director of Academic Services on the management and quality assurance of student data.
 - ii) a report from the University Secretary drawing together reports from managers and staff responsible for the development and management of other key data returns.
- Noted:
- i) that the data quality group which met fortnightly to review student data returns, remains a very useful and important group for ensuring consistency and dialogue between relevant staff in this way it acted as a data quality forum.
 - ii) In addition to the particular student data group a wider HESA group had been drawn together by the Director of Finance over the last few years, and this ensured that staff responsible for preparing data returns understood the inter dependency of the various returns and discussed consistency of data and challenged each other around KPI's and tested summary data tables etc.
 - iii) that the Director of Finance had recently met with a specialist on the HE – BCI return who has been advising a number of Universities in relation to this particular return.
 - iv) that the University currently submits the draft TRAC and TRAC (T) returns to the Finance and General Purposes Committee. In discussion KPMG advised that in their experience roughly 50% of their

clients submit the TRAC and TRAC 2 returns to their Finance or equivalent Committees and about 50% to their Audit Committees. Members felt that it was debateable which Committee was appropriate as benchmarking financial data was of course useful to F & GP Committee, and in Harper Adams case a dispensation rule applied so that the preparation of TRAC was largely important for benchmarking.

- Agreed:
- i) that when key staff are asked to brief the Audit and Risk Management Committee, they would be asked to particularly comment on any data returns that they are responsible for. **PC/CEB**
 - ii) that the annual report on student data would continue to be presented to the Committee.
 - iii) that the key data return was a useful addition to the agenda for the Committee, and would continue to be an annual report. **CEB**

16/41 Briefings from Senior Staff

- Noted:
- i) that the Director of Marketing and Communications would be providing a presentation on the management of risks in his areas of responsibility at the meeting planned for 29 June 2017.
 - ii) that the Committee had previously suggested that the Head of Estates and Facilities would provide a presentation on Estates Management. Although this had originally been planned for 2017 it was suggested that this would now take place in February 2018, and that this would be a useful timetable to follow as in the June 2017 meeting the Committee would be receiving feedback from internal audit on their audit of estates management. **CEB**
 - iii) that Members of the Committee would welcome a presentation from the Farm Manager on the management of risks on the farm. **CEB**
 - iv) that the Committee would also welcome a briefing on the management of collaborative projects, and interaction with industry and high risks around these activities were managed. It was recognised the engagement of the University in collaboration with industry in particular was wide ranging, and that a number of topics would be covered in such a presentation. The Vice-Chancellor agreed to consider this further and to feed back to the Committee at its next meeting. **DGL**
- Agreed:
- i) that the briefing for February 2018 should be provided by the Estates Facilities Manager, and should include information on how the Estates Managements Statistics Data is managed and assured. **CEB**
 - ii) that the Farm Manager would be asked to give a presentation on the management of risks in the University farm at the June 2018

meeting.

CEB

- iii) that Members of the Committee were content to request two briefings during 2017/18, although they would welcome an update from the Vice-Chancellor on collaborative projects as discussed above at the meeting in November 2017

CEB/DGL

16/42 Client Briefings from Internal and External Auditors

Received:

- i) Client briefing from internal auditors RSM.
ii) Client briefing from external auditors KPMG.

Noted:

- i) that the RSM review of 18 University Risk Registers was extremely useful and would be drawn upon to inform the University's forthcoming review of its own Risk Analysis and Action Plan. **CEB**
ii) that the KPMG report commented on benchmarking around future financial forecasts presented by Universities. In particular KPMG had noted the high level of International fee growth that was being projected, and their commentary had highlighted whether to not this remained realistic given concerns around TIER 4 etc. With respect to Harper Adams, members noted that the University did not plan to grow student numbers significantly, but wished to continue to consolidate good quality links with International partners and to maintain and grow international current numbers modestly as appropriate.

16/43 Date of next meeting - 29th June 2017 at 10am