

HARPER ADAMS UNIVERSITY

Audit and Risk Management Committee

Minutes of a Meeting of the Audit and Risk Management Committee held on 15 February 2018

- Present: Peter Cowdy (Chair),
Campbell Tweed
Mark Griffiths (Co-opted member)
Mark Dawson (KPMG)
Mike Rowley (KPMG)
Louise Tweedie (RSM)
Alex Hire (RSM)
- In attendance: Mrs L Furey, Director of Finance
Dr C E Baxter, University Secretary
- Observer: Dr David Llewellyn (Vice-Chancellor)
- Apologies: Richard Hambleton

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

17/17 **Briefing on the management of risks relating to Estates including the preparation of Estates Management Statistics**

The Chair welcomed Paul Moran, Head of Estates and Facilities and note that he had provided Paul with a briefing note highlighting areas that the Committee would wish to be included in the briefing.

A copy of the briefing provided by Mr Moran would be provided to members by email following meeting. **SV**

During the briefing, the following key points were noted:

- that the University's regular maintenance and inspection programme was managed through a specialist software system (CAFM). The system provides alerts when routine tasks are required and records the work completed. It also records requests for estates reactive work, and issues "job tickets" which are in turn issued to relevant members of the estates team. The system provides a reliable and auditable source of information on the management of the University's estate;
- that the system supports asset tagging and also provides data needed to tender contracts for specialist services as necessary. Most services are currently tendered annually or drawn from procurement frameworks where possible. Annual tendering was under review with the aim of identifying if issuing a year contract might be more cost effective, however procurement regulations such as OJEU needed to be carefully considered. This work was in hand and the appointment of a Compliance Officer to support the Estates Team in the past year had greatly assisted this process;
- that the University had commissioned an external expert firm to conduct a detailed estates condition survey in accordance with HEFCE requirements. This had informed Estates Management Data and provided a further dependent assessment in addition to the external quantity surveyor firm that was used to provide regular expertise in relation to maintenance and

other estates related costs, including estimates for capital works. All EMS data was subject to review by the Head of Estates once the team had prepared it in draft. The data is also reviewed by the University Secretary and Vice-Chancellor as part of the verification process;

- that the Estates Team engage with training and professional networks regularly. This helps ensure that there is an up to date understanding of legislation changes and best practice that can inform estates planning at Harper Adams;
- that the Risk Analysis and Action Plan was reviewed regularly, including all estates related risks. Business continuity and disaster recovery plans were also in place and reviewed regularly; and that internal auditors had continued to conduct a number of audits of estates related work, with positive outcomes. Any management action were addressed and reported on as required;
- that third party verification of work completed by specialist contractors had been put in place and had been helpful to ensure value for money as well as statutory compliance. Tenders were viewed for value for money, and where possible lowest price tenders were accepted, but only if quality requirements were also clearly met;
- that review of contractor performance was in place for contracts such as security- where a quarterly meeting took place;
- that the Head of Estates and Facilities was chairing the University's Environmental Sustainability Group (ESG) which was engaging proactively with delivery of the ES Strategy and Carbon Management Plan;
- That, while cost was an important factor in assessing tenders for major projects, consideration was given to the likely quality of work. Potential contractors are assessed for their financial strength and resilience based on a review of their accounts and any other available information before being invited to tender. However it was noted that in the construction industry, fortunes may change rapidly and unexpected company failures do happen from time to time.
- that the Estates Strategy had been subject to a formal review by Finance and General Purposes Committee over the last 12 months. This had informed future financial forecasting. The final written document would be finalised once the outcome of the Telford and Wrekin Local Plan and Edgmond Neighbourhood Plan was confirmed. In the meantime, as agreed by F&GP and report to the Board, the emphasis remained on refurbishment of the existing estate, with a view to proactively managing risks of backlog maintenance including issues that might affect student and staff satisfaction if not addressed. This needed to be carefully balanced against available budget;

The Chair thanked Mr Moran for his helpful presentation. Mr Moran left the meeting.

17/18 **Minutes**

Approved: the Minutes of the meeting of the Audit and Risk Management Committee held on 16 November 2018 (17/01-17/16)

17/19 **Matters Arising**

Received: a report prepared by the University Secretary including a note on Chair's action taken since the last meeting.

Noted:

- i) that since the last meeting, the Chair has taken action to agree that the KPMG tax team might provide the University with specialist taxation advice on benefit in kind;
- ii) that other matters arising had either been addressed or were included later on the agenda.

Agreed: to endorse the action taken by the Chair as noted above.

17/20 External Audit 2017/18

Received: a presentation from Mr Mike Rowley on recent HE sector matters including HE sector specific risks;

- Noted:
- i) that the new regulatory landscape was now being rolled out, and there would be a number of significant changes for Universities .Factors such as BREXIT, public opinion, the industrial strategy, devolution, and the HE and Research Act were also important areas to consider when assessing risks and opportunities;
 - ii) that HEFCE had published its latest report on the financial health of the HE sector and had noted an increasingly significant variation in performance and some ambitious growth targets that may be hard to deliver given demographic pressures and the wider range of choices available to school leavers and other persons seeking a career change or re-training;
 - iii) the CUC had published a draft Remuneration Code. Members noted that the Remuneration Committee had met in January and agreed its response to the consultation. Actions were in hand to make some initial changes to current arrangements, while others might follow when the final code was expected to be published during May 2018;
 - iv) that GDPR requirements were significant. Members noted that the University was working through its action plan proactively;
 - v) that a number of changes to financial reporting and accounting developments were taking place. These included gender pay gap reporting, charity fundraising (for large charities that raise funds from the public including details of any contracts with professional fundraisers). HEFCE was encouraging all HEI. exempt charities to make the required disclosures in their accounts as part of the Trustees' Annual Report;
 - vi) that the FRC had issued its Annual Review of Corporate Reporting and recommended improvements in company annual reports. Amendments to FRS102 and Gift distributions from subsidiaries had also been published which would take effect from January 2019, but could be adopted earlier;
 - vii) that KPMG would be using Data and Analytics procedures as part of the 31 July 2018 external audit process;
 - viii) that the University was in touch with the changes highlighted in the presentation, including responding to consultations and attending briefing sessions. The Vice-Chancellor was also continuing to actively engage with policy and decision makers in the education and agri-food chain to try to ensure that the important of applied research and higher level skills for the agri-food chain and food security was highlighted.

17/21 Risk Management

Received: a report from the University Secretary

- Noted:
- i) that the University had engaged actively with the Local Plan and Neighbourhood Plan processes. The latter was due to be considered for referendum in the next few weeks. Should the plan be adopted there would be a need for further guidelines to be discussed and agreed with the Parish

Council and Telford and Wrekin around the future development of the University's estate;

- ii) that the recruitment of a new Head of HR had been completed, and it was hoped that the successful candidate would be able to start in the next 6 weeks or so;
- iii) that Shropshire LGPS has contacted the University to suggest that a bond may be required due to changes that were being introduced to the scheme. The Director of Finance was engaging with LGPS to understand and explore this issue and would keep the Board informed. **LF**

Agreed: that the remaining risks highlighted in the table continued to be addressed appropriately.

17/22 Follow-up on Internal Audit Reports

Received: a report by the University Secretary.

Noted: that positive progress in addressing actions arising from previous reports had been achieved. Members were also content that the action taken to address the recommendation arising from the recent Access Agreement Report had also been satisfactorily addressed and could now be confirmed as completed. **SV**

17/23 Internal Audit

Considered:

- i) a report on progress with the 2017/18 Internal Audit Plan;
- ii) RSM 2016/17 Internal Audit outcomes Benchmarking Report for HE Clients;
- iii) report on the University's compliance with the UUK/GuildHE Code of Practice for the management of Student Housing;
- iv) a Departmental Review of the Grounds Department;
- v) a report on an audit of Student Experience focusing in particular on postgraduate taught, EU and International Students;

Noted:

- i) that all three of the recently completed audits had led to a green opinion with a small number of recommendations, which had been agreed by management as set out in the reports;
- ii) that the Plan for 2017/18 was on track and would lead to one further report being presented at the next meeting of the Committee in May and four reports at the June meeting;
- iii) that the recommendations arising from the Student Experience audit related to improvements to documentation of procedures, and ways to enhance "keeping in touch" with applicants. In this regard it was noted that the University continues to review the case for a CRM system, with a view to identifying and embedding a suitable system in the next 12 months. Any new system would need to be GDPR compliant. In the meantime a licence for a proprietary software package "GEKCO" was in place. Due diligence on this package had

been completed to review data storage and security and the formal contractual arrangements;

- iv) that the audit of the Grounds Team was very positive. The work of the team had not been subject to an internal audit in this format before, and so the Committee were particularly pleased to note the positive report achieved. The University Secretary was asked to write to the Grounds Manager to pass on the Committee's thanks and congratulations for the hard work of the Manager and his team in ensuring procedures and processes were working effectively to manage risks and ensure effective and efficient delivery of the team's services to the University community; **CEB**
- v) that compliance with the UUK/GuildHE Code of Practice for the Management Student Housing was audited on a regular basis at every HEI. Internal Audit had been instructed by UUK/GuildHE to use a "pass/fail" system in the last two years and the Internal Audit report, together with the "pass/fail" checklist would need to be presented to UUK/GuildHE. In the case of Harper Adams, while a very small number of minor recommendations for action were either in hand or planned, overall no element of the Code had been deemed to be a "fail and the report was positive;
- vi) that the Annual RSM benchmarking report for all its HE clients showed that in the case of Harper Adams, the outcome of internal audit reports remained strong, with the same number of green/amber reports as the average RSM HE client; and management actions were also in line with slightly fewer low and medium priority actions overall (an average of 2 actions per report as opposed to 4 per report across all RSM HEI clients). The University has also received two advisory reports in 2016/17;

17/24 Value for Money

- Received:
- i) a report from the Director of Finance on progress with the Value for Money Plan 2017/18;
 - ii) a copy of the new HEFCE Annual Efficiency Return (AER) that was submitted to HEFCE by the due date of 31 January 2018, following approval by Finance and General Purposes Committee at its January 2018 meeting;
- Noted:
- i) that progress with the VFM Plan was in hand. A detailed report would be tabled at the autumn 2018 meeting as previously agreed. This would feed into the next AER, and in light of this, the VFM plan had been set out using AER headings ease of reference;
 - ii) the AER submitted in January 2018 would be presented to the Board at its April 2018 meeting, in accordance with HEFCE requirements; **LF**
 - iii) that where Universities were already completing the EMM return on procurement for submission to British Universities Directors of Finance Group (BUDFG), AER reports did not need to replicate procurement information. In light of this HAU had continued to produce the EMM report, a copy of which was included on the agenda for member's information. The EMM showed an increase in the use of procurement frameworks in 2016/17. The procurement

group continued to meet and would now be supported by the newly appointed insurance and procurement co-ordinator;

- iv) that it was not yet known whether OFD would require the same format of AER/EMM reporting;

17/25 Client Briefing

Received: Client Briefings from RSM Internal Auditors issued since the last meeting of the Committee;

- Noted:
- i) that UCAS statistics show an overall decline in applicants for autumn 2018 entry to Universities, but the second highest ever acceptance rates. European and International student numbers had increased, which it was thought might be currency related to some extent.
 - ii) that the government continued to emphasise its wish to see social mobility supported by Universities and the suggested of supporting/"sponsoring" academy schools continued to be discussed, along with accelerated degrees. It was noted that Harper Adams was currently in discussion with a Primary School about supporting a proposal to introduce GCSE Agriculture following the school's success with a GCSE in IT;
 - iii) that TEF metrics had been analysed and suggested that where metrics indicated a lower grade than that awarded, elements in narratives that seemed to uplift an HEIs overall score appeared to include involving students in the preparation of the TEF submission, explaining how a University's support for access and widening participation was being delivered (including testimonials/quotes from students)

17/26 National Audit Office Report on the Higher Education Market

Received: The NAO report on the HE Market published on 8 December 2017.

- Noted:
- i) that the report examines whether the Department for Education is maximising the extent to which market dynamics in the HE Sector support government objectives;
 - ii) that the report was set against a background of change with the introduction of the Office for Students (OFS) and the January 2017 industrial strategy green paper focusing on skills shortages in the economy, life-long learning needs and higher quality careers information and advice;
 - iii) that key findings included: that informed choice is critical for students; that consumer protection could be strengthened, as little independent advice is available, despite most students need to take out a significant loan to fund fees; that while information had improved, only one in five students access it; that those entering HE from disadvantaged backgrounds remained lower than those for advantaged although there had been an overall increase in the former groups entering HE; that disadvantaged students tended to study at lower-

ranked providers; and overall only 32% of students considered their studies as good value for money compared to 50% in 2012.

The study also found that price competition and market incentives to increase course quality were both weak, and there was not yet evidence that more providers coming into and leaving the market would improve quality, and protection for students is untested. It was also found that while government relies on the sector for skills and lifelong learning, incentives to meet these priorities are weak;

- iv) that recommendations in the report included: that the OFS should learn from other regulators; that careers advice in schools needed to be improved; that the OFS needed to develop ways to monitor the sector and intervene where HEIs are failing; that an independent review of the new regulatory arrangements should be undertaken once the new system is in place; that the DFE should work with HEIs to understand incentives that might help deliver courses in essential but more costly subject areas;

17/26 **Any Other Business**

- **HEFCE Annual Assessment of Institutional Risk**

Received: a copy of a letter from HEFCE, circulated at the meeting, which confirmed the outcome of HEFCE's annual review of the level of risk for Harper Adams University, following submission of the Annual Assurance Return and other relevant submissions. The letter confirmed that HAU was "not at higher risk". The letter would be shared with the Board of Governors at its April 2018 meeting. **CEB**

Date of Next Meeting

14 May 2018

Reserved Business

Audit and Risk Management Committee 15 February 2018

17/04R Minutes

Approved: the Minutes of Reserved Business considered at the meeting of the Audit and Risk Management Committee held on 16 November 2017 (17/01R-17/03R)