

HARPER ADAMS UNIVERSITY

Audit and Risk Management Committee

Minutes of a Meeting of the Audit and Risk Management Committee held on 14 May 2018

Present: Peter Cowdy (Chair)
Richard Hambleton
Campbell Tweed
Mark Griffiths (Co-opted member)
Mark Dawson (KPMG)
Alex Hire (RSM)

In attendance: Mrs L Furey, Director of Finance
Dr C E Baxter, University Secretary
Mr Mike Lewis – Chairman of the Board joined the Committee by teleconference for discussion of Item 17/27 only
Mr Andrew Jones (Director of Learning and Teaching) – for Item 17/27 only
Ms Kate Baker (University Legal Adviser) – for Item 17/27 only

Apologies: Dr David Llewellyn (Vice-Chancellor) - Observer

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

17/27 Minutes

Approved: the Minutes of the meeting of the Audit and Risk Management Committee held on 15 February 2018 (17/17-17/26).

17/28 Approval (acting with the delegated authority of the Board of Governors) of the University's submission for the registration with the Office for Students)

Received:

- i) the completed application form for registration as an approved (fee provider);
- ii) to the Access and Participation Plan, including a brief commentary from the Students' Union;
- iii) the Consumer Law Self-Assessment for Student Protection Plan;
- iv) the Management and Governance Self-Assessment document.

(Mr Andrew Jones and Ms Kate Baker joined the committee for discussion of this item with particular reference to the Student Protection Plan. Mr Mike Lewis also joined the committee via teleconference for this item).

Noted:

- i) that the Committee had held a teleconference earlier in the week together with the Chair of the Board of Governors to discuss the Access and Participation Plan and the draft Self-Assessment on Consumer Law. The University Secretary provided members at the meeting with the final copy of the Consumer Law Self-Assessment document, together with an updated copy of The Access and Participation Plan, which had been previously circulated by email. The updated plan included amendments proposed during the teleconference;

- ii) that the Student Protection Plan had also been subject to minor amendments, following circulation of the agenda papers. An updated copy had been circulated and printed copies were made available to members at the meeting;
- iii) that in discussion, members suggested it would be consistent to refer to the size of the University's farm either in hectares or acres, as both had been used in the document; **AJ**
- iv) that the Student Protection Plan noted that the University's integrated programme structure meant that a certain amount of staff resilience was inbuilt to the delivery of programs due to the significant amount of team/cross departmental teaching;
- v) that the Student Protection Plan also referred to the University's emergency response arrangements and its ability to manage animal disease in such a way that delivery of courses should not be affected and/or such effects would be kept to a minimum. Members suggested it would be helpful to further clarify reference to these arrangements given the importance of the University farm; **AJ**
- vi) that the OFS application form only provided limited options to describe how an institution had secured University title. It would be necessary therefore for Harper Adams to include a more detailed description of how it had achieved University title;
- vii) that the Management and Governance Self-Assessment reflected the University's well-established arrangements for governance, including the details included in the Annual Corporate Governance Statement published in the Annual Report and Financial Statements;
- viii) that the Accounts Direction had not yet been issued by the Office For Students. It was expected that minor changes may be made and in particular, there would be new disclosures related to senior staff salary in light of the final CUC Remuneration Code, once this was available.

Agreed:

- i) the completed application form for registration as an approved fee provider;
- ii) the Access and Participation Plan;
- iii) the Consumer Law Self-Assessment
- iv) the Student Protection Plan (subject to minor changes as noted above);
- v) the Management and Governance Self-Assessment document;
- vi) that all of the above documents should be submitted to the Office For Students on behalf of the Board of Governors. This process could be carried out by Mrs Helen Armishaw, PA to the Director of Finance, as the Co-ordinator of the University's engagement with the OFS Extranet. **HA**

(Mr Andrew Jones, Ms Kate Baker and Mr Lewis left the meeting at this point).

17/29 Matters Arising

Received: a report from the University Secretary

- Noted:
- i) that the PA to the University Secretary would secure a copy of a presentation made by the Head of Estates and Facilities and would circulate this to members of the meeting as soon as possible; **CEB/SM**

- ii) that a draft letter to the Shropshire Pension Scheme was in preparation following professional advice. The letter would challenge the LGPS's proposal to move away from ongoing to termination calculation. This proposal was likely to make a significant difference to the potential cost to the University, should it cease to be a member of the scheme. The figures involved were the difference between £300,000 and £15 million. It was unknown whether or not the LGPS would be willing to change its proposal, however, it was felt to be important for the University to raise this issue as a concern;
- iii) that there had been a few administrative challenges recently due to new systems that have been put in place by Shropshire LGPS. These matters were being addressed;
- iv) that some Universities belong to other LGPS schemes, which require a much higher rate of employer contribution, as well as further cash contributions on an annual basis. Notwithstanding this, it was important for the University to consider whether other alternatives should be kept under review. This had been the University's approach over a number of years and would continue with regular reports to the Finance and General Purposes Committee;

17/30 Risk Management/Staff Survey Update

Received: a report from the University Secretary, and an oral update presented by Mr Hambleton on progress with actions arising from the staff survey

- Noted:
- i) that the outcomes from the staff survey had been discussed at the Board of Governors and would also continue to be discussed at the Staffing Committee. Mr Hambleton had attended the Working Group established to receive presentations by Managers following discussion with their teams, about actions that would address comments made by staff;
 - ii) that the outcome of the survey had been very positive overall, with the University improving its performance compared to other Universities and other Employers, who made use of the Capita Survey. Notwithstanding this, the University had taken the feedback seriously and where areas for improvement had been identified, the action plans had been discussed thoroughly and agreed at the Working Group. A follow-up meeting would take place in September, where Managers would present progress on their individual action plans;
 - iii) that the University continued to support partnerships with Askham Bryan College and the final stages of the partnership with Reaseheath, were currently being concluded. Another College had approached the University recently with a view to seeking validation services and this opportunity was currently being explored;
 - iv) that the University had been allocated HEIF funding to support knowledge exchange activities. Income from accredited provision also counted towards this funding and therefore it would be useful to continue to consider whether other opportunities to develop new partnerships with Further Education Colleges were appropriate;
 - v) that the University had recently published its Gender Pay Gap Report. The University's performance had not been strong in this area and an action plan had been included in the published report, which was being closely monitored by the Staffing Committee;
 - vi) that the University continued to pay close attention to retention and success of students and the informal group working on the strategy and plan for this important area of work had now been formalised into the work of a committee;

- vii) that the Student Union would shortly be advertising for a new Manager. In the meantime an intern with experience of Student Union work was being sought and it was hoped that this would be helpful and take the Governance Review forward in a positive manner. The internal auditors were due to complete their review of the Student Union and present their findings on its governance at the next meeting of the Committee. It was likely therefore, given the change in SU staffing, that further work would be required to take this work forward and it was hoped that an interim SU Manager with experience of Student Unions would be in a good position to do this work;
- viii) that the incoming Head of HR had suggested that drawing existing practice around change management processes together in a single document, would be a helpful way of ensuring that staff were more aware of the arrangements. This had been an area highlighted in the staff survey. The Staffing Committee would be briefed on the proposal at its next meeting;
- viii) that one of the two newly appointed Elizabeth Creak Professors had spoken at the recent Commonwealth symposium. His presentation had been very well received by the audience;
- x) that the University continued to focus on risks related to Brexit. Members were reminded that this was a separate table in the Risk Analysis and Action Plan and would be reviewed again in the autumn term by the Committee. In the meantime the University continued to develop its links with Has Den Bosch.

17/31 Follow-up on internal audit reports

Received: a report from the University Secretary.

Noted: that positive progress had been made with the majority of the actions. The IT team continued to be extremely busy and therefore some of the dates for their actions had necessarily been rearranged due to other pressing priorities. Nevertheless progress was being made and the team were aware of the need to complete the remaining actions as soon as possible.

17/32 Internal Audit Plan and Reports 2017/18

Received: i) a progress report from the internal auditors;

ii) the final report on key financial controls (Debt Recovery).

Noted: i) that the internal audit plan 2017/18 was progressing as previously planned, with no major issues to report;

ii) that the Key Financial Controls Report had been completed and a further four reports would be completed for the June meeting of the Committee. A draft report on student numbers/data quality had recently been issued;

iii) that as part of the Key Financial Controls Audit, the team had looked at the University's management of unrecoverable debt. It was noted that there were occasionally time lags which were being addressed. However, with regard to outstanding debts, the Finance team were keen to try and manage these and as part of this, tended to keep the history and chase the debts, rather than write them off too quickly. Appropriate allowances were made in the accounts;

iv) that main suppliers are recorded on alert system and regular credit checks were undertaken as necessary;

- v) that the University uses a specialist student debt collector as appropriate, to chase difficult debts;
- vi) that the audit plan included minor suggestions for amending the financial regulations. These had only very recently been reviewed by F&GP and therefore members were content to agree that the changes should be made in April 2019, when the next annual review was due;

LF

- vi) that the report showed that segregation of duties was working appropriately.

17/33 Internal Audit Plan 2017/18

Received: the draft internal audit plan 2018/19 from the internal auditors.

- Noted:
- i) that the internal auditors had mapped their proposals against the University's Risk Analysis and Action Plan and this was extremely helpful to members of the Committee;
 - ii) that a detailed discussion had taken place with the University Secretary and Director of Finance to draft the proposed areas for audit;
 - iii) that the auditors had also taken into account emerging risks in Higher Education as well as the University's own strategic objectives;
 - iv) that the cost of internal audit work and the number of days involved was similar to that in place for other clients of a similar size and therefore remained appropriate.

Approved: the internal audit plan 2018/19.

17/34 External Audit Plan year ending 31 July 2018

Received: the draft External Audit Plan for year ending 31 July 2018.

- Noted:
- i) that changes to the regulatory framework in light of the creation of the Office For Students were in place but no major changes had yet been identified around reporting levels or assurance arrangements for external auditors. However, it was possible that there may be some changes when the Accounts Direction was eventually issued and if necessary, further information would be provided at this time;
 - ii) that pension liabilities remained a risk for all HE clients and the reclassification of this risk reflected this factor. Mr Dawson explained that the timetable to be followed was similar to that used in previous years;
 - iii) that the capital audit would look at Agri-Tech building projects, Cedar Energy and the final stage of the laboratory scheme;
 - iv) that the Joint Vet School project would also be reflected in the five year planning cycle. The next five year forecast was due to be submitted in September 2018 to the OFS;
 - v) that the audit of Cedar Energy and the Development Trust would be progressed in the same way as in previous years;
 - vi) that KPMG had invested in new data analytics and these would be used during the audit to provide further levels of assurance to the Board and the Audit and

Risk Management Committee;

- vii) that the strategic report proposed in the plan may not yet be possible to deliver for any HE client;
- viii) that by September 2018, the University hoped to have a Memorandum of Agreement in place with Keele in respect to the Joint Vet School. External auditors would be paying particular attention to this important project.

Approved: i) the external audit plan for year ending 31 July 2018;

17/35 Accounting policies

Received: the annual report from the Director of Finance.

Noted: i) that subject to the final publication of the Accounts Direction, no major changes were proposed. However, the finance team were reviewing Cedar depreciation, as the heat ring main would have a 40 year life and therefore there may be a need to adjust depreciation appropriately to reflect this. Members were content with this proposal;

LF

ii) that the Joint Vet School will also need to be considered carefully in Year End accounts;

iii) that it was possible that a joint press release may be issued shortly, about progress with the Joint Vet School Project.

17/36 Annual Review of the Business Continuity Plan/IT Disaster Recovery Plan 2018/19

Received: i) proposed updates to Business Continuity Plan 2018/19;

ii) proposed updates to the IT Disaster Recovery Plan 2018/19.

Noted: that no major changes were suggested to the business continuity plan while the IT team had suggested a number of minor changes to their documentation.

Agreed: the Business Continuity Plan and IT Disaster Recovery Plans for 2018/19.

CEB/MR

17/37 Value for Money

Received: a report by the Director of Finance on progress made to meet the objectives of the value for money plan for 2017/18.

Noted: i) that the OFS had not yet confirmed VFM reporting requirements;

ii) therefore the University was continuing to follow the previous advice issued by HEFCE. The exact format of EFM reporting for 2018/19 was as yet unknown;

iii) that the capacity of the IT team to progress a wide range of projects remained a challenge, however this was under active review and progress with each project being tracked carefully.

17/38 Management of data returns

- Received:
- i) a report on Academic Registrar and Director of Academic Services on the management and quality assurance of student data;
 - ii) a report on the management of other key data returns.
- Noted:
- i) that the format of annual provider review may change as the risk-based approach offered by the OFS came into place. Research England had not asked to see a copy of the accounts of any University but had confirmed it would refer to the published annual reports and financial statements and noted that these would be held by the Office For Students. It was also understood that TRAC may be sent to UKRI in future however, in the meantime, the return was still to be submitted to the Office for Students;
 - ii) that the five year forecast in previous years had been submitted by the end of July, but would now be submitted in September 2018 to the Office for Students;
 - iii) that the HEBCIS return was now required later in the year. Previously it had been prepared in December and was now required in January/February.
- Agreed: that the reports provided sufficient assurance to the Committee on actions being taken to manage the quality and accuracy of student data and the quality and accuracy of other key data returns.

17/39 Briefings from senior staff

- Noted: that the Farm Manager would be giving a presentation on the management of risks in his areas of responsibility at the meeting on 28th of June 2018.
- Agreed: that during 2018/19, the Committee would wish to receive a briefing on control of HR risks, including management of staff data under GDPR regulations and a briefing from the Deputy Vice-Chancellor on preparations for the research excellence framework, as well as management of research more generally and monitoring of the research strategy.

CEB

17/40 Briefings from Internal/External Auditors

- Received: client briefings from the internal auditors are assembled from the External Auditors KPMG.
- Noted:
- i) that the review of post-18 education was in hand;
 - ii) that the Committee had previously considered the National Audit office report on whether the market for Higher Education was working effectively;
 - iii) that as highlighted by External Auditors, HEFCE had recently published its report on financial performance of the sector. A copy would be circulated to Mr Griffiths, as other members of the Committee had received a copy at the recent Board Meeting; **SV**
 - iv) that both Auditors had highlighted that the Office For Students had suggested that it wished to be more risk focused. It's detailed approach to engaging with Institutions was likely to emerge over the coming months. **SV**

17/41 Internal Audit Services letter dated 30 April 2018

Received: a letter from RSM setting out their internal audit services.

Noted: that KPMG would be issuing a new engagement letter shortly.

Agreed: i) that the letter from RSM remained appropriate;
ii) that when the KPMG letter was available, this would be circulated to members of the Committee;

MD/KPMG

17/42 **Any Other Business**

Dates of meetings for 2018/19

Noted: i) that the Secretary had suggested that it might be helpful to consider whether or not there was a need to review the times of meetings, given the changes made the pattern of Board Meetings.
ii) in discussion, that the current pattern of dates appeared to be appropriate and appropriate and in light of this, members felt that no changes were necessary at the current time.

17/43 **BDO Briefing**

Noted: that the Chair had recently attended a BDO briefing and would provide a short note to members to be circulated and discussed at the next meeting of the Committee.

PC

Date of Next Meeting

28 June 2018

**Reserved Business
Audit and Risk Management Committee 15 February 2018**

17/05R Minutes

Approved: the Minutes of Reserved Business considered at the meeting of the Audit and Risk Management Committee held on 14 May 2018 (17/04R).

17/06R Management of process to engage KPMG and providing other advice

- Noted:
- i) that the Director of Finance and the Chair of the Audit and Risk Management Committee had discussed whether or not it might be helpful to agree a process setting out the frequency and value that would permit the KPMG Tax Advisory Service and other teams within KPMG which provide expert advice to Universities to provide advice on Tax matters without compromising the independence of the external audit team from KPMG;
 - ii) that to date the Director of Finance had always checked with the Chair before commissioning such advice from any team within KPMG, including where quotes for the work or tenders were involved and KPMG had emerged as best value.
 - iii) that the CUC Audit Committee Code permits firms that also offer external audit services to an HEI to offer other services, subject to the approval of the Chair and to ensuring that external audit independence is protected at all times;
 - iv) that KPMG was a very large company and therefore the risks of compromising; the External Audit Team were limited;
 - vi) that KPMG's experience of the HE sector was significant and therefore following various quotation/tender exercises, KPMG teams had emerged as best value on a range of different matters.
 - iv) that KPMG tax advisers were currently working on a review of Personal Tax situations, as these continued to be particularly complex. It was also known that HMRC were actively looking at accommodation arrangements made for staff at a range of Universities. The University did not currently have an agreement in place with HMRC with regard to the Vice- Chancellor's accommodation and it was necessary therefore, to ensure that there was a clear documentation trail in place. The cost of this advice was £10,750+ VAT, as there were also seven other staff involved;
 - v) that KPMG were also advising on new tax arrangements in China, as delivery in country had not been described as permanent establishment's in Chinese Tax Law, even if staff were only visiting on an occasional basis, rather than living in China. It was understood that the risk may be a requirement to pay five years back tax;
 - vi) that KPMG had also provided pensions advice at the cost of £2,500 to £5,000;
 - vii) that wherever possible alternative quotations had been sought, however members agreed that it was important to seek the appropriate expertise;
 - viii) that in discussion, members felt that if other work started to exceed the external audit fee by two times or more, that would be an appropriate point to consider whether or not external audit could continue to be offered by KPMG;
- Agreed: i) that any further work for the Joint Vet School should be tendered and reviewed separately, as this would also be procured by Keele

University and not just by Harper Adams. With respect to this, it was also agreed that it would be necessary for the University to take its own Tax advice, as KPMG would be acting, if appointed, for the Joint Vet School, rather than for individual institutions. **LF**

- ii) that the Director of Finance would continue to brief the Chair on any proposals to commission further work by KPMG and would advise the Chair as part of that dialogue about the accumulated fee position **LF**

17/08 BUFDG audit survey report 2018

Received: the BUFDG Annual Survey Report, together with the report from the Director of Finance on cost currently paid by Harper Adams for audit services.

- Noted:
- i) that the fees currently charged by RSM were in line with those paid by other institutions of a similar size;
 - ii) that the fees being paid to KPMG was slightly up on similar fees but remained in the range of institutions with a turnover of up to £100 million;
 - iii) that the report was useful, as it provided comparative information on fees being paid by other institutions.