

HARPER ADAMS UNIVERSITY
Audit and Risk Management Committee

**Minutes of a Meeting of the Audit and Risk Management Committee held on 15 November 2018
in the Boardroom**

Present:	Mr P Cowdy Mr M Griffiths Mr C Tweed Mr R Hambleton	Chairman (Co-opted member)
In attendance:	Dr D Llewellyn Dr C E Baxter Mrs L Furey Mr M Dawson Ms A Hire Mrs L Randall Ms Georgie Marland Mr Richard Walker	Vice-Chancellor (Observer) University Secretary Director of Finance KPMG RSM RSM (present for items 1-5 only) SU President (for item 4- SU Report only) Interim SU Manager (for item 4-SU Report only)

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

18/01 Minutes

Approved: the minutes of the meeting of the Audit and Risk Management Committee held on 28th June 2018 (17/44 – 17/52)

18/02 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 the recent advertisement for expression of interest for membership of the Board of Governors had led to 20 expressions being received. Two new independent members had been appointed by the Board who would attend their first meeting in November 2018. A further two people were due to have informal discussions in the New Year with a view to joining the pool for future vacancies. Nominations Committee had not identified a second co-opted member for ARMC, but this would be kept under review. Members were encouraged to put forward any suggestions;

ii) that the Board had agreed to engage with the Board Apprentice Scheme. However a review of the detailed agreement had shown that a fee of £5K was anticipated/encouraged should a Board later invite an apprentice to join its membership or take up a role. This was being explored further with the Scheme to see if a lower fee for a small specialist HEI could be agreed.

18/03 Terms of Reference

Received: the Terms of Reference of the Committee;

Noted: that the Committee Chair had reviewed the Terms of Reference in detail in 2017/18. Members were content that no changes needed to be recommended for 2018/19.

18/04 Follow-up on Internal Audit Reports

Received: a report by the University Secretary.

Noted:

i) that good progress had been made. In particular, it was noted that staff had completed the actions arising from the Research Governance audit and these were with RSM for an early follow-up review. It was hoped that this could be completed in time for submission to UKRI as part of the information submitted on internal audit reports;
RSM

ii) that the request for agreement of the amended action on documentation for WPM Education payment platform should be agreed:
LF

iii) that the Head of Financial Accounting would be asked to verify that the action relating to write offs was now complete; The committee agreed with the principle that balances which might be recoverable should not be written off (*post meeting note- larger old debt amounts (over £2k) will be reported to F&GP Committee for write off approval in January 2019 and thereafter Chair's action will be requested*)
LF

iv) that a date was needed for the action on training for PGR students to complete the table;
CEB

v) that the revised date for the action on task lighting was agreed, and it was noted that a date for CRN implementation had yet to be confirmed as discussions with the supplier remained in hand. This was however being actively progressed;

vi) that the helpful discussion before the formal meeting with the Student's Union about progress with their actions had indicated that steady progress was being made and that the SU were fully aware of the formal follow-up by RSM that would take place in March 2019. Two student trustees were in place and expressions of interest from eight new potential trustees were under review, with an emphasis on seeking independent persons not previously linked to the SU, and who could bring skills and expertise to the role of trustee. A new monthly "have your day" forum run by the Vice-President would provide an opportunity for governance of the SU to be discussed with the wider student body to increase awareness. A request for revised dates for some of the SU management actions was considered and accepted by the Committee based on assurances that the revised dates could be met;
GM/RW

18/05 Internal Audit 2017/18 and 2018/19

Considered:

- i) the Internal Auditors report on their audit of Governance Arrangements- CUC HE Senior Staff Remuneration Code;
- ii) the Annual Internal Audit report 2017/18;
- iii) a report from Internal Auditors on progress with 2018/19 Audit Plan;

Noted:

- i) that the Internal Auditors report on the University's compliance with the CUC HE Senior Staff Remuneration Code was positive with no recommendations;
- ii) that the Internal Auditors Annual Report included a positive opinion for the year. In particular, the auditors confirmed that in their opinion the University had an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness and that during the year the auditors had identified further improvements to the framework of control for these areas to ensure that it remains adequate and effective;;

- iii) that the auditors had suggested that reference to the partial assurance opinion arising from the audit of Research Governance should be included in the Statement of Internal Controls in the Annual Report and Financial Statements and this had been done. The positive progress made to address actions ahead of the deadline of 31 December 2018 set by management was also acknowledged.
- iv) the auditors confirmed that the report reflected the Internal Auditor's opinion up to the current date and as far as they were aware at the current time, would reflect their opinion at the point when the accounts were signed by the Board of Governors. They confirmed that if anything changed in the interim then their report would be revised as necessary;
RSM
- iv) that it would be helpful, in the reference to the partial assurance opinion given on the Student's Union audit to clarify the relationship with the University more clearly. RSM agreed to update the text of their Annual Report accordingly;
RSM
- v) that the Internal Audit Plan for 2018/19 was progressing as planned. Some dates had been slightly amended to meet diary requirements for key staff. A helpful meeting had once again been arranged by RSM with key staff involved in the Internal Audit Plan across the University. This had helped to brief staff on documentation required and to agree appropriate dates when auditors would be coming to the University to meet with relevant staff and consider documentation etc;
- vi) that RSM would be shortly publishing their HE Client benchmarking Report and a HE Risk Register Review Report and would also be publishing a high level review of Student Protection Plans;
- vii) in discussion, members noted that the University had engaged an external consultant with expertise in gender pay gap matters to help engage with staff and develop further action planning where needed. The University was aware that Ethnic Pay Gap Reporting is now under consideration.

Mrs Randall left the meeting at this point.

18/06 External Audit 2017/18

- Received:
- i) an oral report from the Director of Finance advising that there were no major changes (other than a few typographical points) arising from discussion of the draft Annual Report and Financial Statements that took place at Finance and General Purposes Committee on 8 November 2018;
 - ii) a briefing note on reporting requirements to meet Charity Commission regulations on Reporting Public Benefits and OfS reporting requirements;
 - iii) the External Auditors Report on the External Audit for 2017/18 Accounts together with the Management response
 - iv) the draft 2017/18 Annual Report and Accounts for Harper Adams University;
 - v) a draft Letter of Representation for Harper Adams University group;
 - vi) the draft 2017/18 Annual Report and Accounts for Cedar Energy Ltd;

- vii) a draft Letter of Representation for Cedar Energy Ltd;
- viii) a draft Letter of Support for Cedar Energy Ltd from Harper Adams University;
- ix) the approved 2017/18 Annual Report and Accounts for Harper Adams University Development Trust and related Letter of Representation

Noted:

- i) that pages 15-19 had been replaced with the correct copy and circulated to members;
- ii) that members were content that the section on Public Benefits set out in the draft University Annual Report was comprehensive and noted that the external auditors had not raised any concerns in relation to this section of the University's Annual Report and Financial Statements. The University had also addressed the new OfS Accounts Direction and it was understood that the requirements would remain the same for the transitional period. The Committee would be updated in due course if this changed. The University was no longer required to submit the ASSUR or AER/VFM documentation, but would need to maintain Board level oversight of sustainability and these were both critical elements;
- iii) that the External Auditors report presented an overall positive opinion with no major issues to highlight. The Auditors also confirmed that they expected to be able to give a positive overall opinion subject to the final Annual Report and Financial Statements being approved and signed at the Board meeting on 28 November 2018. A small number of outstanding issues had been highlighted in the External Audit report almost all had now been addressed with only those matters that could not be confirmed until the Accounts were signed remaining to be completed. No issues were anticipated; **KPMG/LF**
- iv) that overall the Auditors have confirmed that the University was in a reasonable financial position, that a going concern had clearly been demonstrated and there were no issues with bank covenants. They noted that the coming year and 2019/20 were challenging years for all HEIs and this would be the same for Harper Adams given external factors such as rising pension and staff costs and demographic challenges. The overall surplus for year ended 31 July 2018 had been impacted by a number of items including net charge in respect of LGPS, restructuring costs, investments and profit on disposal of fixed assets. The actuarial valuation with respect to LGPS had been received later than usual and this had not been ideal. However the Finance Team had worked to ensure it was appropriately reflected and that the overall out-turn was reported accordingly. Members also noted that F&GP Committee had agreed that the Director of Finance would seek further professional advice on pensions given recent announcements. The University was only one of three admitted bodies in Shropshire LGPS and so had not been able to set aside the changes relating to withdrawal of the scheme by admitted bodies as the scheme wished to bring all members in line on such matters;
- v) that during the audit one incidence of an isolated journal not being fully authorised had been identified. Management had checked and identified that this was the only instance during the year and auditors were content that this was not a major issue, and would be addressed via the management action in response to the updated made to the recommendation arising from 2017. All of the other management actions from the prior year audit were confirmed as completed or in progress. No new recommendations were made;

- vi) that the audits of Cedar Energy Limited and The Development Trust had not identified any issues and both bodies had agreed their Annual Reports and Financial Statements;
- vi) that as part of their sector briefing, KPMG had provided a graph showing Vice-Chancellor's median pay reporting. Harper Adams was at 6.9 compared to the range of 4.0 to 12.0. KPMG had been content with the University's decision not to include individuals who were not staff but were paid via the payroll, such as student ambassadors who had only worked a few hours, as to include them as if they were full staff FTEs appeared inappropriate and misleading in the calculation; It was noted that several arbitrary factors such as the way in which student accommodation was organised had a major impact on this score which undermined its usefulness for comparison purposes.
- vi) that the reference to adjusted deficit on page 6 should read "adjusted surplus" and would be amended; **KPMG**
- ix) that the references to the area of land purchased in the accounts needed to be checked for consistency: **LF**
- x) that the auditors were content that the areas of judgement relating to provision for Chinese Tax and employment risks were appropriate as set out in the Letter of Representation for the Harper Adams Group. The auditors were also content with the actuarial valuation of LGPS;

Agreed:

- i) to **RECOMMEND** to the Board for its approval the draft Annual Report and accounts for Harper Adams University, the draft Letter of Representation for the Harper Adams University group, the draft 2017/18 Annual Report and Accounts for Cedar Energy Ltd for 2017/18 together with the draft Letter of Representation for Cedar Energy Ltd;
- ii) to note the draft Annual Report and Accounts for the Harper Adams Development Trust for 2017/18 and Letter of Representation for the Development Trust;
- iii) to **RECOMMEND** to the Board for its approval the Letter of Support for Cedar Energy Ltd from Harper Adams University.

18/07 Value for Money/Annual Efficiency Return

Considered:

- i) the Value for Money Strategy;
- ii) The final report on progress with the Value for Money Plan for 2017/18
- iii) the draft Value for Money Plan for 2018/19

Noted:

- i) that the VFM Strategy had been reviewed and refreshed to ensure it continues to enable the University to show how it addresses and ensures VFM is delivered. In discussions, members advised that they felt the Strategy was appropriate and that they were content to recommend it to the Board;

- ii) that good progress had been made with the VFM Plan during 2017/18 and the supporting documentation provided was really helpful, including the ASSUR which had also been discussed at F&GP Committee. The changes to targets (staff costs, cash generation and a note relating to the JVS with respect to borrowings) that would be proposed by F&GP to the Board were noted for information;
- iii) that members were content with the draft plan for 2018/19 subject to the clarification of how Delta project efficiencies would be measured by the Director of Learning and Teaching; **LF/AJ**

Agreed: to **RECOMMEND** to the Board for its approval the VFM strategy together with the Value for Money Plan for 2018/19; **LF**

18/08 Audit and Risk Management Committee Annual Report 2017/18

Considered: the draft Report of the Audit and Risk Management Committee to the Board of Governors for 2017/18 financial year.

- Noted:
- i) that the draft report was due to be submitted to OfS by 3 December 2018 along with a copy of Internal and External Auditors Annual Reports;
 - ii) that the draft report had been shared with the Chair for his comments in advance of the meeting and had also been shared with the Internal and External Auditors. Both had confirmed they were content with the draft report.

Agreed: to present the Annual Report of the Audit and Risk Management Committee to the Board of Governors at its meeting on 28 November 2018.

18/09 Risk management

- Received:
- i) the University's Risk Management Policy for 2018/19;
 - ii) the University's updated Risk Analysis and Action Plan for 2018/19;

- Noted:
- i) that the Risk Management Policy 2018/19 had been reviewed and no major changes were suggested. The BREXIT Risk Matrix appendix to the Risk Analysis and Action Plan (RAAP) had also been reviewed and would continue to be reviewed during the coming months as required. The Director of Finance suggested that a reference to procurement risks arising from BREXIT might be usefully added. Members supported this proposal; **LF**
 - ii) that UUK had also recently issued a briefing note on risks arising from BREXIT and this would be kept under review; **CEB/DGL**
 - iii) that following a detailed review of the Risk Analysis and Action Plan by those staff responsible for leading and assisting the management of risks, it was proposed that the rating of the risk relating to a risk of a poor relationship with the SU be raised low to low/medium to recognise the changes that were in hand at the current time and the need for the University to work with the SU to continue its work to become more inclusive of all students' needs. The University also proposed to increase the cyber risk rating from low/medium or medium/high;

- iii) that the Estates Consultant had also undertaken a thorough review of estates related risks and had engaged his wider team with this discussion, which had been very helpful. Minor changes to risks highlighted by the Board and its Committees had also been addressed in the updates as had a query raised by Academic Board about student convictions;
- iv) that in discussion, members requested that the University's ability to respond to major changes more generally might be usefully highlighted. It was acknowledged that when major issues occur, these have to be prioritised and less important work set aside at the time, as it was not always possible to plan in detail. The use of networks, horizon scanning and being responsive to flexible allocation of resources to manage unanticipated external circumstances or issues that arise. This and other arrangements for handling unexpected challenges would be added to the RAAP - Risks 36 and 37. A minor typographical amendment to Risk 31 was also agreed; **CEB**

Agreed: to **RECOMMEND** to the Board that the University's Risk Management Policy for 2018/19 and subject to the above minor updates, the updated Risk Analysis and Action Plan for 2018/19 be approved;

18/10 **Review of internal and External Auditor Performance**

The Internal and External Auditors left the meeting for discussion of this item.

- Received:
- i) an aide memoire on the sources of information and key questions recommended by the CUC for evaluation of the performance of Internal and External audit providers;
 - ii) the views of University Officers and members of the Audit and Risk Management Committee on the conduct of the Audit Plan in 2017/18;
 - iii) an oral report from the Director of Finance on the appointment of KPMG to undertake tax advisory work during the year;

- Noted:
- i) that the performance of Internal Auditors have been appropriate and the additional meeting that had recently taken place to prepare for the forthcoming 2018/19 Internal Audit Plan had once again been particularly helpful to clarify documentation and timetable for the process;
 - jj) that the performance of KPMG had been appropriate and there were no issues. Mr Rowley had agreed that he would attend the Audit and Risk Management Committee in February each year and provide a sector update. Mr Dawson would be asked to ensure this was arranged; **MD**
 - iii) that the work of KPMG in relation to tax advice continue to be conducted appropriately and did not cause a conflict of interest with the External Audit Team. The Committee was assured that the level of work was not excessive in fee value or scope at this stage (relative to the audit work) and that this was being closely monitored by the Audit Director;

Agreed: i) to recommend to the Board that RSM be reappointed as Internal Auditors for 2018/19 and that KPMG be reappointed to the role of External Auditors for 2018/19.

ii) to review the dates for full re-tendering such that internal and external services would not be subject to re-tender at the same time. The NMWUPC procurement framework for professional services would also be checked to see if internal audit services are included **CEB/LF**

*The Internal and External Auditors re-joined the committee.
University Officers left the committee at this point.*

18/11 Discussion with Internal and External Auditors

Considered: in discussion with the Internal and External Auditors the conduct of audit programs at the University during 2017/18.

Agreed: that the Auditors had no issues to raise in relation to the conduct of the audit programs during the year. They expressed their appreciation for the helpful support they had received from University staff.

University officers re-joined the committee at this point.

18/12 Client Briefing/Charity Commission Briefing

Received: i) Internal Audit Client Briefings;
ii) External Audit Client Briefings (included with the External Auditors Report earlier on the agenda);

Noted: that there were a number of important HR related matters affecting the HE Sector as set out in the briefing papers. The University's HR team were monitoring this carefully,

18/13 Internal Audit Engagement Letter 2018/19

Received: the Internal Audit Engagement Letter for the period to 31 December 2019.

Agreed: that subject to the Board's approval of the committee's recommendation RSM be appointed, the Internal Audit Engagement Letter be accepted for 2018/19.

18/14 External Audit Engagement Letter 2018/19

Noted: that the External Audit Engagement Letter for the period to 31 July 2019 would be presented at the next meeting of the Committee in February 2019 **MD**

Agreed: that subject to the Board's approval of the committee's recommendation that KPMG be reappointed to the role of External Auditors, the Engagement Letter for year end 31 July 2019 could be reviewed and subject to that, accepted once it was available for consideration

Date of next meeting

14 February 2019 at 10 AM (Mr Tweed agreed to Chair as Mr Cowdy would be unavailable for the meeting).