

HARPER ADAMS UNIVERSITY
Audit and Risk Management Committee

Minutes of a Meeting of the Audit and Risk Management Committee held on 14 February 2019 in the Boardroom

Present: Mr C Tweed Chairman (standing in for Mr Cowdy)
Mr M Griffiths (Co-opted member)
Mr R Hambleton

Apologies: Mr P Cowdy

In attendance: Dr D Llewellyn Vice-Chancellor (Observer)
Dr C E Baxter University Secretary
Mrs L Furey Director of Finance
Mr M Dawson KPMG
Mr M Rowley KPMG
Ms L Tweedie RSM
Mr S Kirby (for item 1 only)

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

18/17 Briefing on the Management of Risks relating to the University Farm

Received: a briefing from the Farm Manager, Mr S Kirby.

- Noted:
- i) that Mr Kirby had followed the outline for his briefing provided by Mr Cowdy and Mr Tweed.
 - ii) that the University had a relatively large scale farm with a wide range of enterprises. The range was much wider than might be found on a typical commercial farm. The provision was designed to support both teaching and research and aimed to be based as far as possible on commercial principles that were current in the agricultural industry. In addition to the farm's livestock (Dairy/Sheep and some Beef) and arable crop enterprises, the Crop and Environment Sciences Department operates the Crop and Environment Research Centre (CERC) and the Animal Production, Welfare and Veterinary Sciences Department manages the Pig Unit, Sheep and Beef Units and Poultry research facilities;
 - iii) that the farm provides feed and slurry management for APWVS units and land for CERC. About 40 acres of crops are rotated, often including very specific needs (e.g. soil preparation pre and post- trial) for facilitation of crop trial work. This makes cropping plans complex for the Farm staff to manage and deliver. A map of landholdings was noted by the Committee which showed that the furthest rented land is 12 miles away. The recently purchased land adjacent to current rented and contract farmed areas has been very useful and has helped to manage some of the potential risks around loss of rented land at short notice and the need to secure land for longer term trial work. In total about 35% of land is now owned and the rest predominantly on short term contracts, which are subject to annual renewal;
 - iv) that the farm also works with close neighbours to manage cropping and share equipment/provision of slurry and purchase of crops etc. The overall land farmed is currently 630 hectares;
 - v) that the farm is accommodating record levels of educational activity and overall technical performance remains good, delivered by a small team of dedicated and capable staff. Securing new staff and retaining them has been challenging

as it is in the rest of the industry. Improved pay and conditions has been agreed which helped recruit two new staff in the autumn. One staff member had recently resigned and a second vacancy was due to be advertised shortly. Working hours needed to be managed and it was hoped that technology would start to help, but keeping good quality staff in post remained critical. Staff shortages had led to a more reactive operation, and underlying infrastructure such as fencing, water systems, slurry system and some access routes needed attention- there was a plan to address these items; subject to profitability being able to help fund the costs;

- vi) that most years had been profitable in the past 10 years, but the previous year had been impacted by staff shortages, the need to prepare for the Smart Dairy and weather factors;
- vii) that longer term plans included field scale activities that would need to be focused on owned land. A wide range of rents in the area were noted from zero to £200 per acre;
- viii) that opportunities to make better use of data were recognised such as environmental land management approaches;
- ix) that a recent visit by colleagues from the Moredun Institute had been positive and it was hoped links would develop further;
- x) that the Farm Strategy Committee continues to monitor and oversee farm performance and planning as key parts of its agenda. The Farm Managers also meets with the Vice-Chancellor weekly.

Mr Tweed thanked Mr Kirby on behalf of the Committee for his helpful briefing and Mr Kirby left the meeting.

18/18 Minutes

Approved: the minutes of the meeting of the Audit and Risk Management Committee held on 15 November 2018 (18/01– 18/16)

18/19 Matters Arising

Received: a report prepared by the University Secretary;

- Noted:
- i) that the outcome of the desk based UKRI audit was awaited;
 - ii) that the External Auditors had confirmed that their engagement letter dated June 2018 remained extant until further notice. Members were content to accept the letter;
 - iii) that the other items arising from the meeting held in November 2018 were either included on the agenda or had been fully addressed.

18/20 External Audit 2018/19

Received: i) a presentation from Mr Mike Rowley updating members on recent HE sector matters including an update on sector specific risks;

- ii) External Audit Engagement Letter 2018/19

Noted: i) that headlines for HE in the UK currently included a general indication that public

perception is being affected by issues in some HEIs related to expenses and senior staff pay/conduct together with governance, management of conflicts of interest and related parties. A range of such matters had been reported in the news in recent weeks and months. This was not positive for the HE sector overall;

- ii) that the FE sector has insolvency arrangements in place which identified direct responsibilities for members of Governing Bodies. Such arrangements may emerge for HEIs. While it was possible that some institutions might fail, consolidation was also likely. Demographics remained challenging for the next few years until the number of 18 year olds increases again;
- iii) that some banks were starting to be less willing to lend to HEIs. Most would not lend to FECs at the current time due to large loan write-offs in recent years. Other challenges included uncertainty about the future direction of OfS regulation and increases to government pensions such as TPS. The Augar Review and other consultations such as those on KEF were on-going and are likely to affect overall UK HE policy/funding decisions in due course;
- iv) that in discussion, that the University had been working to try and address some of these issues by lobbying where it could to influence policy making. The University had engaged actively in expressing concerns about TPS increases and had also fed into the recent consultation. It had also engaged with the review of KEF and suggested that student placements should count towards HEIF activity;

18/21 Risk Management

- Received:
- i) a report from the University Secretary on the management of risks;
 - ii) a review of the University's BREXIT risk register presented by the Vice-Chancellor in light of recent sector wide information received since the Committee's last meeting in November 2018;
 - iii) a mapping of the key aspects of compliance with OfS Regulation and the University's arrangements to address these requirements;
 - iv) a copy of a letter from UKVI confirming the outcome of the audit conducted in December 2018 of the University's compliance with Tier 4 (student) and Tier 2 (Staff) Sponsorship Licence requirements;
- Noted:
- i) that the Board and Finance and General Purposes Committee continue to be updated on student recruitment and retention at each meeting. Numbers of applications currently looked in line overall with the previous years, but it was fully recognised that in 2018 there had been a fall-off around March/April and further action was taken. Such actions had now been embedded and it was hoped that application numbers would hold up and overall targets remained stretching. The success in recruiting apprenticeships for the first time was also recognised and the level of interest for 2019 entry remained positive;
 - ii) that farm and CERC staff, together with engineering and APWVS technicians were being briefed on the recent HSE booklet "What makes a good farm" by the University's Health and Safety Officer and the NFU's Health and Safety Adviser. HSE had advised it plans to visit every farm in 2019;
 - iii) that the outcome of the UKVI Audit had been positive with no required actions. The letter from UKVI was noted by members. Thanks were expressed to all staff who had engaged with the audit;

- iv) that an information sharing meeting with the Parish Council's Planning Committee and a later open meeting for all residents had taken place to discuss the Joint Vet School building and the proposed development of a research scale vertical farm facility with a potential industry partner. The latter was subject to approval of a satisfactory report from an independent surveyor on the use of land being beneficial to the University's charitable objects and also further information on the financial plans for the facility. Overall, feedback had been positive;
- v) that the Board had discussed the management of student social events in detail and the SU President was working with staff to ensure events were well managed and that an improved range of activities is on offer to all students. A progress report on actions arising from the audit of SU Governance was included later on the agenda;
- vi) that the work to respond to actions arising from the staff survey was in hand, with a further update meeting in March 2019. Changes to the arrangements for the Staff Survey had been discussed and agreed by the Staffing Committee in November 2018;
- vii) that the University had updated its BREXIT Risk Register in light of sector guidance and had ensured EU staff were kept informed;
- viii) that the refreshed Single Equality Scheme had been discussed at the Staffing Committee and approved subject to minor changes;
- ix) that the Committee was content that other risks were being managed as set out in the report;
- x) that the University Secretary had worked with a range of colleagues to review the OfS conditions for registration and had mapped how these would each be addressed and how the Board would receive assurance on each of the areas of compliance. The table provided also indicates the staff member with lead responsibility for each area. There were a few actions highlighted which reiterated the need to ensure clear evidence of compliance in all areas;
- xi) that the University Secretary had also engaged with similar documents being drafted by two other HEIs. The approach taken at HAU was consistent but included more detail of HAU arrangements;
- xii) that the external auditors had not seen a similar document presented to Audit Committees at other HEIs, and felt the document was very useful for the Committee and the Board;

Agreed: that members were content that the mapping of compliance against OfS registration conditions provided sufficient assurance and should be recommended to the Board at its next meeting for approval

CEB

18/22 Follow up on Internal Audit Reports

Considered: a report from the University Secretary

Noted: that overall, good progress was being made with actions arising from previous internal audit reports. Progress had been delayed with some of the actions planned by the Student's Union due to personal circumstances affecting the interim manager and the recent departure of the Vice-President. The University Secretary had been assured by the interim SU Manager and the President that actions would be completed by the formal follow-up by RSM planned for 1 and 2 April 2019.

18/23 Internal Audit

- Received:
- i) a report from internal auditors on progress with the 2018/19 Internal Audit Plan
 - ii) Internal Audit Plan- Data Quality- Transparent Approach to Costing (TRAC)
 - iii) Internal Auditors Follow-up on previous audits- Research Governance and Pre-Award process
 - iv) 2017/18 Internal Audit Benchmarking Report
 - v) Internal Audit Report- General Data Protection Regulations (GDPR)

- Noted:
- i) that the internal audit plan remained in target with no issues to highlight. The internal auditors had brought forward their follow-up on the Research Governance audit at the University's request so that the latest position could be reported to UKRI as part of the latter's desk top audit of the management of grants etc. awarded to the University. Thanks were expressed to RSM for their assistance with this important matter. The UKRI audit had started in December 2018 and was on-going;
 - ii) that the TRAC audit had led to an opinion of substantial assurance, with two agreed management actions. In discussion, audits agreed that the percentage of income relating to teaching and research was reflective of their work to understand the University's financial position;
 - iii) that there was currently a discussion about whether the meeting dates for Finance and General Purposes Committee might be amended to include a meeting in mid-late February instead of having a meeting in January and a second one in March. The proposal was to ensure that a February meeting included the in-year re-forecast which could only be completed after the end of January each year due to the cycle of business. If F&GP agreed the new date, it was suggested that Audit and Risk Management Committee might meet at the end of January instead of in February and would take on the role of approving TRAC. External and Internal Auditors agreed that other Universities do ask their Audit Committees to undertake this work, as the requirement set by OfS is for a Committee of the governing body to approve the submission, the choice of Committee was a matter for each University to determine. The University Secretary would keep members informed; **CEB**
 - iv) that the outcome of the follow up to the Research Governance audit was positive with all actions confirmed as met with a small number that had been superseded. In discussion, members and auditors agreed that the decision not to utilise an electronic system "worktribe" was not a concern as the paper

based records system equally provided the necessary audit trail and information records;

- v) that the benchmarking report provided information and data in the levels of assurance reported by RSK across its HEI clients. The levels reported for Harper Adams were broadly comparable with RSMs other HE clients. One partial assurance rating had impacted on the outcome significantly, and this report (Research Governance) had 13 actions which had also impacted on the action data. The overall outcome had been a second level opinion, which was the most common for other HEIs, whereas Harper Adams had tended to receive a top level opinion in previous years. The actions from the Research Governance audit had however been addressed as planned by December 2018 and followed up by auditors as noted above;
- vi) that the outcome of the GDPR Advisory Review was positive with a small number of suggestions for further action. Overall the review indication good progress, with only a few areas to enhance current practice. It was noteworthy that Harper Adams had already created a register for data breaches and this was not always the case with other clients at the current time;
- vii) that the suggestion to provide a GDPR briefing for the Board was in hand and would be delivered to members at the September 2019 Board meeting; **CEB**

18/24 **Value for Money**

- Received:
- i) a report from the Director of Finance on progress with the Value for Money Plan for 2018/19
 - ii) a copy of the OfS response to the Select Committee's report on Value for Money in HE and a mapping of how Harper Adams is addressing the points raised
- Noted:
- i) that the Director of Finance is working with colleagues across the University to improve data recording and reporting. Further work on Carbon Savings was required and would be progressed, once an updated Carbon Management Plan is in place to reflect proposed changes to the lead/support components of the STEP project, currently under discussion at Cedar Board. Continuity of supply from the Combined Heat and Power (CHP) engine had been affected by a major breakdown. While the engine was covered by a maintenance agreement with BOSCH, the repairs required had been extensive and involved specialist engineers to travel from Germany, and procurement of parts had also taken time. Options to enhance resilience were under discussion and would be considered further by Cedar Energy once any re-configuration works were determined in light of external specialist energy consultants advise on how to improve optimisation of the running of the components of the system;
 - ii) that there had been changes to bed space availability following the budget setting process. For example, allocation of spaces to postgraduates and re-allocation of some houses for farm staff use, displacing wardens who had to be accommodated elsewhere. Of the 97% of available rooms, 94% were currently occupied. Further work to improve occupancy rates was in hand with Student Services. The budget set had been prudent in terms of voids and so there would not be a financial loss. The reporting systems would also be reviewed to ensure better and more effective real time reporting and forecasting. The

changes to cleaning arrangements had not led to any issues and would continue to be rolled out for 2019/20;

- iii) that the Director of Finance was working on a communication on how student fees are spent, as required by the OfS. This would be published and shared with the Board; **LF**

Agreed: that acronyms would be explained in future reports **LF**

18/25 **Client Briefings**

Received: Client briefings from internal auditors

- Noted:
- i) that the Institute of Fiscal Studies 2018 report on educational spending in England showed that 4.3% of national income is used for this purpose, and is the second largest element of public spending. HE finance system contributed £800M per cohort of students towards the government deficit, with overall costs for undergraduate students costing £17bn per group;
 - ii) that RSM's regular review of risk registers showed that financial matters remain a source of concern and risk, together with the closely associated risk of securing planned student numbers. RSM noted that the Harper Adams Risk Analysis and Action Plan is reflective of the risks being reviewed and managed by other HEIs and no specific areas needed to be highlighted for further consideration. The planned internal audit of Risk Management arrangements would report in more detail later in the year;
 - iii) that labour market data had showed that the impact of engaging with HE is variable between male and female graduates and that choice of institution also affects overall outcomes in terms of graduate prospects;
 - iv) that a recent He Policy Institute (HEPI) report had focused on value of HE and the different audiences e.g. students and/or taxpayers. Access and participation remained key issues for all HEIs, relating to marketing and recruitment activities;
 - v) that the update on BREXIT matters was useful and reflected the University's BREXIT Risk Register. RSM also provided information on legal services in the form of a benchmarking report, which again reflected arrangements at Harper Adams;

18/25 **Any Other Business**

Noted: that the Chair of the Board, as Chair of Nominations Committee had identified a possible new co-opted member of Audit and Risk Management Committee, in response to the Committee's wish to fill a second co-opted place. The Chair of ARMC, Chair of the Board and Vice-Chancellor would be meeting the potential co-opted member informally on 21 March 2019. Members expressed their support for the suggested nominee; **PC**

KPMG and RSM representatives left the meeting at this point

18/26 **Internal Audit Tender**

Received: a briefing note on arrangements for an internal audit tender

- Noted:
- i) that, as requested by the Committee, steps had been taken to ensure that internal audit and external audit tenders are issued in sequence so as to try and avoid new appointments to both roles in the same year. The tender process aimed to appoint internal auditors with effect from 1 August 2019. Mr Griffiths and Mr Cowdy had kindly agreed to form part of the interview panel for shortlisted firms. Mr Cowdy would also be involved in shortlisting with the University Secretary and Director of Finance; **PC/CEB/LF**
 - ii) that one of the firms expressing an interest was Deloitte. As it was understood that Mr Wong was due to leave the company in May 2019, this may not cause a conflict. The University Secretary would nevertheless check this point with Mr Wong; **CEB**

18/27 **Date of Next Meeting**

13 May 2019 at 10.00