

HARPER ADAMS UNIVERSITY
Audit and Risk Management Committee

Minutes of a Meeting of the Audit and Risk Management Committee held on 11 May 2020 via MS Teams

Present:	Mr P Cowdy Mr M Griffiths Mr C Tweed Mr R Hambleton Mr K Greetham	Chairman (Co-opted member) (Co-opted Member)
In attendance:	Dr C E Baxter Mrs L Furey Mr M Dawson Ms L Tweedie	University Secretary Director of Finance KPMG RSM
Observer:	Dr D Llewellyn	Vice-Chancellor
Apologies:	MS K Scott	KPMG

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

19/30 **Minutes**

Approved: the minutes of the meeting of the Audit and Risk Management Committee held on 29th January 2019 (19/17 – 19/29) subject to correction of attendance and minor corrections proposed by Mr Hambleton. **CEB**

19/31 **Matters Arising**

Received: a report prepared by the University Secretary including the External Audit Engagement Letter for 2019/20.

- Noted:
- i) that members were content that all matters arising from the meeting held in January 2020 were either completed or included later on the agenda;
 - ii) that the external audit letter was very similar to that issued in 2019. It did, however, reflect the new OfS requirements and any changes required in all audit processes following audit standards/regulatory changes

Agreed: the External Audit Letter for 2019/20 **LF**

19/32 **Risk Management**

Received: a report by the University including an oral update on management of COVID-19 risks.

- Noted:
- i) that RSM would complete their follow up testing in relation to their previous internal review of Risk Management Arrangements in time for the June 2020 meeting of the ARMC;
 - ii) that due to COVID-19, the REF submission had been delayed until Spring 2021 with census data remaining at July 2020. Changes to other reporting dates had also been made. The Prevent reporting cycle was also not yet fully clarified, but all HEIs had been reminded to continue their work so as to be ready for submission of reports etc when a date was announced.;

- iii) that the University continues to engage with the latest information on timing and preparations for TEF;
- iv) that the Chair of the Board had been consulted on how best to draw on the option stated in the University's Student Disciplinary Policy to apply these Regulations flexibly where necessary. Given the COVID-19 situation, it had been agreed that flexibility would be appropriate and that students would be asked to agree to any changes as necessary, such as Student Disciplinary Committees taking place using MS Teams. For less serious issues where community service might have been a suitable outcome, it had been agreed that other "educational" routes such as undertaking a suitable training programme on-line might be a suitable alternative or volunteering in a student's home community rather than on campus, provided such volunteering could be done safely and in accordance with government guidelines;
- v) that offers to successful candidates for the roles of Deputy Secretary and Director of Academic Services and Academic Registrar had been made and final arrangements were being made. The Deputy Vice-Chancellor had decided to retire from full time work in September, but was willing to stay on part time until December to finalise the REF submission. The advertisement for a DVC would be live shortly;
- vi) that the Students' Union had not been able to progress its programme of developing its strategic plan due to COVID-19 and the fact that sadly, they had lost one of their trustees to the disease. A new method was now being taken forward with a view to finalising the plan over the summer using remote means rather than on campus face to face engagement with students and university staff. The revised arrangements would be shared with RSM during their follow-up on previous audit actions in the next few days. The follow-up by management report included on the agenda also provided further information on the revised arrangements. Recruitment of new SU trustees was also in hand;
- vii) that the Organisational Development Manager continues to attend Staffing Committee meetings to brief members on his work and updates on mandatory training would be discussed by ARMC in the June meeting;
- viii) that owing to the University's links with Huazhong University located in Wuhan, the Business Continuity Plan had been reviewed and revised at an early stage of the current COVID-19 situation. Key issues addressed had included addressing staff and student well-being and ensuring the campus continued to operate safely for key workers and those students who remained resident;
- ix) that the University had also followed the government's initial general guidance, and the later DfE guidance specific to Universities in receipt of public funding for part of their operations, with respect to the Coronavirus Job Retention Scheme (CJRS) or "furlough" scheme. The Board had discussed and agreed how the University might apply to the scheme on 3 April 2020 and had authorised the Chair, and Chairs of Finance and General Purposes Committee and Chair of Staffing Committee to consider any changes to the scheme as they emerged. Chairs' action was therefore taken to consider the DfE guidance which was issued on 17 April 2020. In particular, it was agreed that due to the University's existing loan and borrowings commitments, including existing challenges to meet loan covenants which were still under negotiation with Barclays Bank; making an application to any of the government loan schemes was not feasible for Harper Adams. The Board had meet for a virtual briefing on 30 April 2020 and had endorsed the Chairs' actions taken with respect to the University's final approach to making an application to the CJRS. Discussions with Santander and Lloyds Bank had been helpful and positive, with Santander being particularly flexible;
- x) that the University had taken care to monitor carefully guidance issued by the OfS, QAA and PSRBs with regard to maintaining academic quality and standards

during remote/ alternative delivery of teaching and assessment for students undertaking taught programmes. There had also been engagement with student reps and the Student's Union as well as with staff in reviewing and making changes to assessment regulations to permit some careful relaxation where appropriate while maintaining standards. Academic Board had met to approve final changes to assessment regulations. Support for PhD students was also in place;

- xi) that academic staff had been supported in developing on-line materials and this work remained in hand. The Library was also available virtually as were student support arrangements including academic guidance, learner support and well-being sessions;
- xii) that the Board had weighed up its charitable obligations carefully with regard to financial sustainability while balancing its educational objectives to support and educate students. It had been agreed not to enforce charges for residential licence fees for the summer term where students had returned home and for those remaining on campus, as services had necessarily been reduced, a lower fee was being charged to recognise these changes. The University had also sought to support students renting from private landlords to negotiate a reasonable approach to payment of rents for the period when students had returned home and were unlikely to be able to return for some time;
- xiii) that the University has been working hard to engage with a wide variety of government guidance, OfS regulatory changes and sector wide developments. The COVID-19 Group had been meeting daily and continued to meet at least twice a week or more often as required. A smaller group planning ahead for 2020/21 was also meeting regularly and would be engaging with expertise across the University in planning for 2020/21. Regular meetings with the Students' Union were also taking place. At this stage, the Minister for HE was asking English HEIs to plan for an autumn 2020 start. While this may not be in the traditional format, it could be a blended approach with some on-line delivery and some on campus practical/tutorial work. Any model would also need to be sufficiently flexible to allow a return to remote delivery if a further COVID-19 outbreak were to occur and a further "lockdown" be required. Other matters such as when to hold graduation were under discussion. IT resilience had been good and IT/IS teams were working hard to support staff and students to work virtually as effectively as possible. Additional measures to control spending and to ensure staff were alert to risk of additional fraud attempts including cyber fraud were also on-going. The University's new "ironscales" product which seeks to detect and manage suspicious cyber traffic in parallel with existing systems was in place and was being carefully assessed;
- xiv) that KPMG had engaged with WONKHE to produce a paper on the role of audit committees during COVID-19. Mark Dawson would circulate a copy for information to the Chair and Vice-Chancellor; **MD**
- xv) that guidance for a phased return by staff as a first step to campus was being drafted, but would be amended to reflect government guidance expected shortly. The University had also asked staff to share any queries or concerns about a return to campus working and had received some helpful feedback. So far it appeared that some research staff and some PhD students who had urgent laboratory or field work to complete were keen to return, if possible, to campus working; while other staff who were working effectively and efficiently at home were able to continue to work remotely and did not need to access the campus at this time. Social distancing plans were in hand including a review of timetabling and teaching space use; and how to run a good induction programme for new students, as well as social programme for new and current students while meeting social distancing and any other government requirements. DfE guidance on re-opening was awaited that was expected to be specific to HEIs;

- xvi) that communication with staff and students had been regular and included weekly newsletter articles which were also shared with Board and co-opted ARMC members. Marketing activities were also on-going and featured use of a range of social media and other virtual platforms. The University had taken part in a virtual agricultural show and would offer its June open day on-line. Regular contact was also being maintained with applicants and to date Vet School numbers were positive as were numbers for most courses. However, as UCAS deadlines had changes and new Clearing Plus would allow students to make last minute decisions to change their minds. There were therefore risks of “trading up” or deciding to defer for a year if an applicant felt that a face to face experience was critical for the full first year. The extent to which these issues might affect any HEI would be variable, and in the case of HAU, some applicants might decide to stay and work in their family food business for a year, alternatively they might want to move forward having had to leave school and not complete their studies in the usual way- so they might be keen to move to the next phase of their education;
- xvii) that a UUK proposal to introduce a cap of 5% recruitment above forecast numbers was in fact quite a generous allowance for larger HEIs if they wished to attract more UK students to replace international students (as it was widely anticipated that the latter would be significantly reduced in number and as visa centres remained closed, this was a concern for all UK HEIs). In the case of HAU, Chinese partners were advising that students still wished to come, it was hoped this would be possible subject to flights and visas being available;
- xxviii) that the UUK financial support package for Universities had not been agreed, and cuts to OfS grants would be going ahead. ISF funding would however remain in place until 2021 when a re-application would be needed. The Board had been briefed on the financial impact of not charging accommodation fees and losing conference and other income generation activities due to COVID-19 restrictions. There would be a deficit at year end July 2020 and the financial challenges for 2020/21 would be significant. Should restructuring be needed, UCEA were seeking comments for discussion with pension providers. If pension strain could be spread, over a longer period, this would be helpful and the CFO would be raising this with UCEA;
- xix) that at year end KPMG would be taking a view on going concern. It was recognised that there might be material uncertainty for many Universities and businesses. To date, it had been suggested that a six-month loss of revenue might be a starting place for judging going concern, but this would be considered in the context of each business. As the University would still be receiving public funding, even if other income streams had reduced, this would be a key factor to bear in mind. Pension fund projections would also be affected by market volatility (and the cancellation of a number of dividends), although there had been some recovery in stock markets to date. LGPS contributions had been set as at March 2019, so should not change at least for an initial period. Cash therefore remained the key factor to consider;
- xx) that work on the capital development for the Vet School had re-started after a three- week shutdown and supervision by the Clerk of the Works had been re-instated following the end of his furlough. The contractors were working to a new programme, and subject to any staffing or materials/supplier challenges, a possible practical completion date of early October appeared possible. In the meantime, the Vet School would be planning use of alternative spaces and virtual/on-line delivery for some elements of the programme;
- xxi) that TRAC and TRACT(T) would be affected by COVID-19 changes to academic work patterns and changes to other factors in due course;

19/33 **Follow up on Previous Internal Audit Reports**

Considered: a report from the University Secretary

Noted: that while progress with the completion of actions was positive overall, due to COVID-19 priorities, some staff and the SU Director had requested revised completion dates be agreed for their remaining actions

Agreed: the revised completion dates as set out in the agenda paper. SV would advise relevant staff and the SU **SV**

19/34 **Internal Audit Reports 2019/20**

Considered: reports from the internal auditors

- i) Internal Audit Plan Progress Report for 2019/20;
- ii) Undergraduate Timetabling- Room Utilisation Processes;
- iii) Access and Participation Framework.

- Noted:
- i) that the Internal Audit Plan remained on track with the agreed timetable for the year, with the exception of the audit of Apprenticeship arrangements which had been affected by lockdown and the unexpected absence of the auditor for personal reasons;
 - ii) that there were no major concerns arising from either report completed since the last meeting of the Committee;
 - iii) that the Undergraduate Timetabling- Room Utilisation Processes audit had resulted in 1 x medium and 4 x low priority actions. It was noted in discussion that, in RSM's experience, many HEIs did have a lot of last-minute changes to timetabling and that the processes at HAU were not out of line with those seen in other HEIs;
 - iv) that the Access and Participation Framework audit had resulted in 1 x medium action. In discussion, members noted the importance of governing body engagement with the Plan and its monitoring and that the spend on A&P would be audited in detail by KPMG as they were required by the OfS to give an opinion on this spend with effect from year end 31 July 2020. It was noted that the medium action related to the need to retain working copies of all spreadsheets rather than over-writing the original when data changed. It was further noted that the OfS had requested changes and had not agreed the plan until the changes requested were made to its satisfaction. There had only been one or two minor examples where working papers/working data sheets had not been fully retained, but had been overwritten with updated data as requested by OfS. It had been agreed by management that in future, working copies of all working papers/data sheets would be kept in date order;
 - v) that the follow-up of previous audits was in hand. A number of updates and evidence of actions being completed had been received ahead of the follow-up audit process which had been useful;
 - vi) that RSM had included reference to briefings they had issued to clients on COVID-19. Members were welcome to request a full copy;

19/35 Internal **Audit Plan 2020/2021**

- Noted:
- i) that as in previous years, the draft Plan had been informed by RSM's overview of themes emerging in the HE sector as well as mandatory cyclical audits required of certain areas of work such as student data and meeting the UUK/GuildHE Code of Practice for student accommodation. A very useful meeting with the Chair of the Committee, University Secretary and Chief Financial Officer had also taken place and had informed the final draft of the plan;
 - ii) that the proposed audit coverage had been mapped against the top 10 risks where these lent themselves to audit process. It was acknowledged that other top 10 risks such as the ability to recruit and retain farm staff did not really lend themselves to being subject to an internal audit process and assurance was achieved from other sources (such as management discussion);
 - iii) that as in previous years, but even more so in light of COVID-19 changes, the plan would remain under review, and could be amended in terms of timing of audits or areas for coverage, if the Committee agreed such amendments were needed during the year;
 - iv) that the medium to long term strategy for future audits had been included for planning purposes and would be reviewed again in 2020/21 ahead of the 2021/22 internal audit plan being proposed;

Approved: the draft Internal Audit Plan.

19/36 External **Audit Plan year ending 31 July 2020**

- Noted:
- i) that the External Audit Plan remained similar to that established for previous years, except for the need to audit in detail spend included in the Access and Participation Plan and to provide an explicit external auditors opinion on the note to the Accounts provided by the University on this matter as required by OfS;
 - ii) that the internal audit work on the Access and Participation Plan was useful and would inform the external audit team's approach. It was also acknowledged that the OfS guidance on use of A&P funds had been changing due to COVID-19 as spend on face to face schools-based activity or engagement with teachers was no longer feasible given restrictions and the new government requirements that schools were already having to adapt to meeting. On campus activities were also not possible and so the planned programme and associated spend had necessarily needed to change. It was confirmed that the University would be able to write its note to the accounts and explain how it had spent the funds. At this stage, it was understood that KPMG would audit against the stated figures and would not be taking a view about whether the spend met outcomes stated in the A&P Plan. External auditors were seeking clarification from OfS on this approach and MD would advise if it changed; **MD**
 - iii) that the focus of the external audit would include pensions, revenue recognition and management over-ride of controls as usual, together with the assessment of going concern discussed earlier in the meeting. This was highlighted for all clients as a heightened risk due to COVID-19 and was not a specific risk for Harper Adams itself. Similarly use of funds had been indicated as a potential heightened risk for all HEIs. Materiality was set slightly higher than in previous years;

- iv) that there had been a minor change to the FE/HE SORP relating to gift aid from subsidiary companies which the finance team at HAU were aware of;
- v) that the external auditors usually considered the financial forecast as part of their work. However, OfS do not require this document to be completed until November/early December rather than in July each year and so the focus would be on the 2020/21 budget with work on the forecast to follow in early autumn when student numbers were clearer for 2020 entry and other COVID-19 related risks were also clarified. Mr Dawson confirmed that he would ensure his team worked flexibly to consider the forecast at the appropriate time. He was aware that other HEIS were taking a similar approach;
- vi) that the audit fees had increased to reflect the additional work required. If the OfS clarified that less work was needed with regard to giving an opinion on the A&P Plan, a slightly reduction may be possible. Using specialist data analysts, meeting extra FRC requirements and seeking pension specialists input hopefully improved reporting quality for the Committee and the Board, but it was recognised that these requirements did cost more in terms of fees. It was also noted that the table on page 137 of the agenda needed to be updated to ensure it were consistent with actual audit and non-audit fee allocations. Mr Dawson would amend and re-issue the document; **MD**
- vii) that a questionnaire for the Chair of Audit and Risk Management Committee had been issued ahead of the external audit. Mr Dawson advised that he would brief the Chair as necessary on this new approach as in the past he would have been able to provide the required assurances along with Katie Scott as they attended Audit Committee meetings and reviewed all agenda papers; **MD/PC**
- viii) that the University would need to include disclosures on carbon emissions as part of the Directors' Report for the first time due to the University's Company Limited by Guarantee status. While most HEIs (many of which are established by Royal Charter or are a Corporation and not Companies) would not be required to make such declarations at this time, any subsidiary companies of HEIs meeting the threshold would have the same requirement to meet, and it was expected that in due course all HEIs would be required to make such declarations. It was noted that work was progressing to refresh the Carbon Management Plan and to also update the Environmental Sustainability Strategy to reflect the new University Strategic Plan and this would include working towards ensuring the University farm could demonstrate best practice in due course. The data required for the Directors Report would not include detailed farm data with regard to greenhouse gases at this stage, as it would reflect the estate management statistics requirements set by OfS for all HEIs; but this may develop and change at a later date when the necessary models and action plans are in place for the University farm and if other HEIs are also required to make declarations about their farming activities, as this has not been the case to date. Finance and General Purposes Committee had considered and agreed the approach to the new Carbon Management Plan and would agree the final document in June along with an update on progress with the ESSG and an outline plan for a refreshed ESSG to be developed. The Lead Governors for Sustainability would be kept informed; **CEB**

Agreed: the External Audit Plan for year ending 31 July 2020

19/37 Accounting **Policies 2020**

Noted: that no changes had been made for 2019/20.

19/38 **Annual Review of the Business Continuity Plan /IT Disaster Recovery Plan 2020/21**

Received: i) proposed updates to the Business Continuity Plan 2020/21;

- ii) proposed updates to the IT Disaster Recovery Plan 2020/21

Noted: that only minor changes to these two documents had been proposed following the detailed annual review. Should any further changes be needed to reflect the University's management of COVID-19 the Committee would be advised and asked to agree any such changes;

- Approved:
- i) the Business Continuity Plan 20220/21;
 - ii) the IT Disaster Recovery Plan 2020/21

19/39 **Value for Money**

Received: an oral report from the Director of Finance on progress with the Value for Money Plan for 2019/20.

- Noted:
- i) that progress had been made with a number of the projects;
 - ii) that the appointment of the Environmental and Sustainability Manager had been made and was progressing as planned;
 - iii) that in light of the recent COVID-19 restrictions, all procurement except essential purchases were being agreed by the CFO;
 - iv) that following data received at the recent Space Management Group, areas of apparent lower utilisation were currently being further investigated. The detailed review and plan for 2020/21 would reflect on space utilisation and next steps if underutilised teaching spaces could, for example be re-purposed to provide offices for PhD students or staff and reduce rental payments to Agri-Epi;
 - v) that student residential occupancy rates were better in 2019/20 until COVID-19 restrictions meant students had to leave campus where possible to do so. Similarly, student retention had been improving, although it was recognised that progression over the summer would be a key test point;

19/40 **Management of Data Returns**

- Received:
- i) a report from the Deputy Academic Registrar on the management and quality assurance of student data
 - ii) a report from the Chief Financial Officer and University Secretary on the management of other key data returns

- Noted:
- i) that positive work had been carried out during the year with no major changes proposed to the overall approach to managing accuracy and completeness of data returns;
 - ii) that work to map the new HECOS Codes accurately across a number of key returns had been needed. The University had also approached its HEIF return carefully, drawing on external expertise to ensure coverage was appropriate and met the requirements of this scheme;
 - iii) that, in discussion, it was clarified that the Vet School would be reported in a specific way to meet OfS requirements following the method used for the new Surry Vet School. The data had been agreed by the Joint Steering Group where representatives from both HEIs were involved in agreeing the submission. Once students enrol at their chosen host institution, in

iv) the case of AU, the same data management systems will apply to the data for HAU hosted Vet Students. Work to map data flows has been done by data analysts and vet school returns will be closely checked by both HEIs; that data on apprenticeships is considered by the data quality group prior to its submission. Such students are included in Undergraduate or postgraduate returns as appropriate, and returned to SFA for funding purposes;

Agreed: that the CFO would add a section to the table in 2021 to set out how Joint Vet School data is managed **LF**

19/41 Briefings from Senior Staff

Noted:

- i) an aide memoire on briefings received to date together with suggested briefings for 2020/21;
- ii) that the Board meets students regularly over lunch or during visits to parts of the campus before meetings, It also receives a report from the SU President at each meeting and had invited student observers to meetings. It has also been briefed by students on their experiences and receives information on internal and external student satisfaction surveys. All members of the Committee, including co-opted members were also very welcome to engage with a "Student for a Day" opportunity. Mr Greetham and Mr Griffiths expressed an interest in taking part as and when this might be possible. In the meantime, Dr Baxter would share the outcomes of student surveys- internal and external with Mr Greetham and Mr Griffiths for information as and when these are available; **CEB**

Agreed: topics for briefings in February and June 2021 as follows: January 2021- Nat Brassington Head of Infrastructure on Cyber Security/IT resilience and in May or June 2021- Dr Matt Jones, Head of the Joint Vet School on how JVS risks have been managed during the first year of operation for the school **CEB**

19/42 Client Briefings from Internal and External Auditors

Received:

- i) client briefings from the Internal Auditors
- ii) client briefing provided by the External Auditors;

Noted:

- i) that RSM had highlighted potential risk relating to COVID-19 including increased risks of fraud due to remote working. Management of key financial controls remained important and a check list had been suggested which the finance team would consider; **LF**
- ii) that the annual benchmarking of HEIs Financial Statements had been provided by KPMG. While the data was historic, it showed HAU remained in a reasonable position when compared to other HEIs. Challenges remained considerable for the sector overall and COVID-19 restrictions had added to this very significantly;
- iii) that HAU remained ahead of its group in terms of cash and generation of a surplus; and had relatively little reliance on international students compared to many other HEIs. It was also recognised that the next benchmarking report would show that Harper Adams had increased its borrowings significantly to support the Vet School as a strategic investment;

- iv) that KPMG's publication on climate change reporting was helpful and would inform the Directors Report disclosures in due course;

19/43 **Any Other Business**

Received: a copy of a KPMG Publication: "Creating, maintaining and leveraging an effective Audit Committee"

- Noted:
- i) that while the publication contained some very useful prompts, it was not designated specifically for HEIs, whereas the tool used annually by the Committee to date had been designed with the CUC Handbook for Audit Committees in HEIs in mind. The Committee had also used the AdvanceHE Effectiveness Review questionnaire in 2019 as part of the four-year review of the Board and its Committees;
 - ii) that once the CUC had issued its new Governance Code (understood to be summer 2020), it planned to revise its Handbook for Audit Committees and it was possible that a questionnaire to draw on for an annual self-evaluation may be part of that publication;

- Agreed:
- i) to use the existing PWC questionnaire in 2020 until the outcome of the CUC's work on its Audit Committee Handbook is known; **CEB**
 - ii) that Mr Dawson would clarify what was meant by the term "on balance" when referring to scoring in the publication **MD**

19/29 **Date of Next Meeting**

25 June 2020 at 10.00am