

Minutes of a Meeting of the Audit and Risk Management Committee held on 13 November 2020 via Microsoft Teams

Present:	Mr C Tweed	Chairman
	Mr M Griffiths	(Independent member)
	Mr R Hambledon	(Independent member)
	Mr K Greetham	(Co-opted member)
	Mrs Marisa Virseda	(Co-opted member)
In attendance:	Dr D Llewellyn	Vice-Chancellor (Observer)
	Dr C E Baxter	University Secretary
	Mrs L Furey	Director of Finance
	Mrs K Baker	Deputy University Secretary
	Mr M Dawson	KPMG
	Ms L Gardiner	KPMG
	Ms J Bickerton-Hubball	RSM
	Ms A Hire	RSM

Apologies: None

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

The Committee welcomed Mrs Marisa Virseda as a co-opted member of the Committee for 2020/21.

Members acknowledged the helpful briefing provided by the Chief Finance Officer prior to the meeting on the forecast for 2020/21 and 2021/22 which would assist their consideration of going concern later in the meeting.

20/01 Minutes

Approved: the minutes of the meeting of the Audit and Risk Management Committee held on 25 June 2020 (19/45 – 19/57), subject to correction of 19/49 to read 2019/20 Internal Audit”

20/02 Matters Arising

Received: a report prepared by the Deputy University Secretary

Noted: i) that RSM had reviewed the Audit Plan for 2020/21 and had concluded that no changes were needed in light of COVID-19 impact or associated HE sector issues;

ii) that a policy document will be drafted for the Committee’s approval in 2021 to formalise existing principles in respect of the University’s external audit firm undertaking consultancy and advice work on areas other than external audit;

LF

iii) that the Fraud Policy set out in the Financial Regulations will be presented to ARMC on an annual basis in June;

LF

iv) that the University Secretary had reviewed the current checklists for evaluating the effectiveness of the auditors and of ARMC against the CUC Code for HE Audit Committees and had refreshed the contents of each document to reflect the Code;

v) that members were content that all other matters arising from the meeting held in June 2020 were either completed or included later on the agenda;

APPROVED: the refreshed effectiveness checklist for auditors and the Annual Questionnaire used by the Committee to evaluate its own effectiveness. **KB**

20/03 **Terms of Reference**

Received: the Terms of Reference of the Committee;

Noted: that minor changes to the Terms of Reference had been made to update the membership of the Committee for 2020/21

Agreed: that no further changes the Committee's terms of reference were required for 2020/21 and the Terms of Reference should be agreed for the year.

20/04 **Follow-up on Internal Audit Reports**

Received: a report by the University Secretary.

Noted i) that good progress had been made with all reports.

ii) that the new CRM system had been a longstanding action for follow-up. Unfortunately, while sound progress was being made, Covid-19 had caused further delays due to the impact of other work priorities. However, further progress is now being made and training and module launch dates have been confirmed with the supplier;

iii) that the action relating to the development of a new Student's Union Strategic Plan remained in progress. Due to COVID-19 restrictions and uncertainty surrounding SU operations, the HASU Trustee Board had reviewed the draft strategy again. A final draft document would now be circulated to University Management Team, HASU Board of Trustees and Full Time Officers for review before being presented to the Trustee Board in December 2020.

iv) that the SU Memorandum of Understanding between the University and the SU had been referenced in the final draft strategic plan;

v) that the outstanding Key Financial Systems actions had all been completed;

vi) that the Mental Health and Wellbeing Arrangements actions had been completed and the audit had offered timely assistance for both the University's Covid-19 response and the OfS Prevent Report requirements;

vii) that the actions arising from the Departmental Review for Animal Production, Welfare and Vet Sciences was now being taken forward further to the appointment of Philip Robinson and the split of this area into two new departments. DR Robinson would lead on a new department of Veterinary Health and Sciences and has asked for more time to allow him to complete this piece of work.

viii) that in respect of the Transparent Approach to Costing (TRAC) audit follow up due to the need to prioritise Covid 19 planning and Covid secure measures of working, it had not been deemed sensible to ask academic staff to review and sign last year's documentation.

Approved: i) the new timetable for completion of the new Students' Union Strategic Plan as set out above

ii) that the Committee were content for Dr Robinson to be granted further time to complete the remaining actions as noted above

iii) that the Committee was content to agree a proposal that the period 1 TRAC return for 20/21 (4 months from Aug-Nov 2020) follow-up data set returns be signed by staff electronically and followed up by HODs and AHODs. RSM confirmed that they were also content with this approach.

20/05 **Internal Audit 2019/20 and 2020/21**

Considered: i) the Annual Internal Audit report 2019/20;

ii) a progress report on the 2020/21 internal audit programme

iii) a report from Internal Auditors on the audit of Apprenticeships;

Noted: i) 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 data quality and management 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; They also confirmed that they were not aware of any matters which would change this opinion up to the present date;

ii) that the Apprenticeships Audit had been conducted as an advisory report rather than an assurance audit. That the audit consisted of substantive testing against ESFA rules. RSM advised that providing assurance in this compliance area is challenging across the whole education sector on account of the very complex/prescribed rules for compliance. RSM advised that any non-compliance would give rise to a risk of clawback of funding. In respect of the University audit, RSM advised that their testing did highlight some issues which may give rise to this risk. The report highlights 14 management actions, all of which will be revisited at RSM's formal follow up in 2020/21. RSM confirmed however that the types of issues found and number of actions recommended were aligned to RSM findings at other HEI audits in this area. RSM advised that ESFA degree apprenticeship funding is new and subject to regular and significant rule changes. Further Education organisations have also had very similar issues/difficulties demonstrating 100% compliance with the rules. LF advised that the University has recently lost a key member of administrative/compliance staff in this area but has increased the hours of current administrative staff to support - the University will also not hold-back on re-recruiting to the Apprenticeship Manager role;

iii) that the Internal Audit Plan for 2020/21 was progressing as planned with RSM holding virtual meetings with the relevant key individuals and finalising the scopes of those audits. Some dates had been slightly amended to meet diary requirements for key staff. Discussion of the scope for the Information Technology Controls Audit were ongoing and RSM were considering if this audit would be better taken forward as an advisory piece of work as opposed to an assurance audit. RSM confirmed that internal discussions are on-going but this will be an issue on the agenda for approval as appropriate at the next Committee meeting in January 2021;

RSM

Agreed: to accept the report of the Internal Auditors for presentation to the Board in November 2020

KB

20/06 **External Audit 2019/20**

- Received:
- i) an oral report from the Chief Financial Officer advising on changes made to the Annual Report and Financial Statements at or following the meeting of Finance and General Purposes Committee held on 5 November 2020;
 - ii) the External Auditors Report on the External Audit for 2019/20 Accounts together with the Management response
 - iii) the draft 2019/20 Annual Report and Accounts for Harper Adams University;
 - iv) a draft Letter of Representation for Harper Adams University group;
 - v) the draft 2019/20 Annual Report and Accounts for Cedar Energy Ltd;
 - vi) a draft Letter of Representation for Cedar Energy Ltd;
 - vii) a draft Letter of Support and loan arrangements for Cedar Energy Ltd from Harper Adams University;
 - viii) the agreed 2019/20 Annual Report and Accounts for Harper Adams University Development Trust and related Letter of Representation

- Noted:
- i) that details relating to the Access and Participation Plan (APP) and other changes had been added/made as highlighted in green in the draft Annual Report and Financial Statements for 2019/20. Information had also been included on energy and carbon reporting in compliance with the requirements of the Companies Act;
 - ii) that the External Auditors Report to the Audit and Risk Management Committee on the external audit of the 2019/20 still had some areas which remain outstanding for completion, including in relation to opinion on going concern and their opinion with respect to APP funds where OfS requirements were still, as yet, unclear. The Auditors confirmed however, that based on their work to date, they had no major issues to raise;
 - iii) that the External Auditors confirmed that the HEI sector is exposed and remains exposed on account of Covid-19 and the additional financial pressures this has given rise to. However, the Auditors view was that the impacts are perhaps not as significant for the University as for some other commercial businesses. The Auditors confirmed that pension valuations had had an impact on the accounts and whilst they did not expect going concern problems as a result, there would be a need for additional details to be added to the accounts on this issue. Of the other three key areas of audit (revenue recognition, management override of controls and going concern) the Auditors had no material issues to raise. They considered that the accounts give a true and fair view of the University position and were assured that funds are used for the purposes intended;
 - iv) that the University had now adopted the new Accounts Direction (Regulatory Advice 9) from 1 August 2019 which includes a requirement to include a specific external audit opinion on disclosures related to spend on Access and Participation as set out in APPs. This work entailed additional work for auditors and the finance team and also attracted additional audit fees. The Auditors confirmed that on the basis of their review to date, the University had complied with APP spend and classed it appropriately. Guidance from the OfS to guide audit in this area remained limited and this as noted above, was an area of work which Auditors had yet to finalise for 2019/20.

KPMG

A report will be made to the Academic Board on APP in March 2021 and reporting to OfS is also required on progress with the 2019/20 APP plan. KPMGs view is that this style of APP report would be better as a separate assurance report rather than a matter for inclusion in the financial statements but this proposal, and concerns about the duplicate reporting to OfS is something being taken up by the sector and through Guild HE.

KPMG/DGL

- v) that the external audit team had identified issues for further work during their audit work as set out in detail in their report. Of the issues identified, 5 were control deficiencies. Two recommendations had been made relating to the review of payroll exception reports and review of users for IT control to ensure that there are no user accounts which require removal and level of access for existing staff remains appropriate and in line with their job role along with two minor recommendations to enhance current systems arrangements. The Committee noted information from the Chief Finance Officer explaining where deficiencies related to small amounts and in relation to access to IT accounts that access to these could not be gained once individuals had left the organisation and therefore, although accounts remained live, it was a housekeeping issue to remove these rather than a risk of external access remaining. All recommendations had been agreed by management and are being actioned. There were 5 recommendations from Year Ended July 2019 that were followed up- 3 of which were complete, one of which was partially implemented relating to bank reconciliations and one which had been superseded by recommendations for 2019/20 in relation to IT control;
 - vi) that the External Auditors anticipated giving a positive opinion when their remaining items for audit were completed. They had no major issues or concerns to raise and were not expecting any changes that would affect their opinion up to and including the point when the Accounts are due to be signed in November 2020;
 - vii) that the external audit team had reviewed the significant risks (revenue recognition, management override of controls, and valuation of pension assets and liabilities) in detail as set out in their report and had no issues to raise on those areas of review;
 - viii) that KPMG had also audited the overall financial position, and needed to complete their assurance that the University group is able to continue as a going concern for at least 12 months from the date of signing the financial statements. There had been two audit adjustments (to deferred income and accruals) which had been corrected and one adjustment relating to operating expenditure which was unadjusted;
- KPMG & LF**
- ix) that the audits of Cedar Energy Limited and The Development Trust had not identified any material issues and both bodies had agreed their Annual Reports and Financial Statements and letters of representation.
 - x) that in relation to Cedar Energy Limited, there is an element of deferred tax in the accounts and the loan value has reduced due to reflect the sale of the previous AD site to the University for Hands Free Farm project use. In addition, £21k had been recovered from the Bond in place to support the corrective works needed to make the energy system work effectively following Forrest ceasing to trade. The completion of a full years trading had taken place with the newly rebuilt CHP. Benchmarking data for other University carbon management would be explored and reported back to the Committee as appropriate;
- KB**
- xi) that KPMG had provided information on their independence and confirmed that other work undertaken as agreed by the Committee had not resulted in any conflict or concerns with regard to audit team independence;

- xii) that members were content that F&GP wished to recommend the letter of support and loan arrangements for Cedar Energy Limited;
- xiii) that RSM, as Internal Auditors advised that nothing had come to their attention with respect to the external audit that would cause them to review their annual opinion;
- xv) that electronic signatures were proposed for the 2019/20 accounts and reports
- xvi) that the External Audit Management Letter still needed to be sent to the OfS in its final form; **LF**

- Agreed:
- i) to **REVIEW** by circulation the updated draft Annual Report once KPMG final reports have been issued **KB**
 - ii) to **RECOMMEND** to the Board for its approval the accounts for Harper Adams University draft Letter of Representation for the Harper Adams University group, the draft 2019/20 Annual Report and Accounts for Cedar Energy Ltd for 2019/20 together with the draft Letter of Representation for Cedar Energy Ltd;
 - iii) to note the draft Annual Report and Accounts for the Harper Adams Development Trust for 2019/20 and Letter of Representation for the Development Trust;
 - iv) to **RECOMMEND** to the Board for its approval the Letter of Support for Cedar Energy Ltd from Harper Adams University.
 - v) to **RECEIVE** an updated report from external auditors once the APP and going concern issues had been finalised and thereafter agree their report as complete for submission to the Board **KPMG/LF/KB**
 - vi) to **APPROVE** the use of electronic signatures where possible.

20/07 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 2019/20
 - iii) the draft Value for Money Plan for 2020/21

- Noted:
- i) that the VFM Strategy for 2020/21 had been reviewed and updated with no significant amendments required;
 - ii) that with regard to the VFM Plan for 2019/20, much of the activity in this area since March 2020 had been in relation to close scrutiny of expenditure, vacancy scrutiny and monitoring of loan draw down (with only £1m of the £8m available being drawn from Barclays). Work is also on-going in relation to carbon management in compliance with the University Carbon Management Plan where. £200k had been allocated for spend on related projects. Savings have also been made in procurement and will be reported later in year to F&GP. In addition, work is on-going in relation to academic workload planning;
 - iii) that members were content with the progress made to address the VFM Plan for 2019/20;
 - iv) that with regard to the draft plan for 2020/21, given the current financial pressures that the University is under, it is felt that proposing any new VFM projects that may take resources away from focusing on the delivery of the savings planned in the financial forecasts would be very difficult. This will therefore be the focus for

2021/21 in terms of value for money. Some restructuring will need to take place to drive efficiencies; **LF**

Agreed: to **RECOMMEND** to the Board for its approval the VFM strategy together with the Value for Money Plan for 2020/21; **LF**

20/08 **Audit and Risk Management Committee Annual Report 2019/20**

Considered: the draft Report of the Audit and Risk Management Committee to the Board of Governors for 2019/20 financial year.

Noted:

- i) that neither the draft report nor the Internal Auditors report was due to be submitted to OfS this year, though External Auditors Annual Reports will still be;
- 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. All had confirmed they were content with the draft report subject to updates being made once the External Auditors final management letter is available.
- iii) that references to “designated officer” needed to be updated to read “Accountable Officer” and a typographical error needed to be amended at paragraph 23; **KB**

Agreed: to present the Annual Report of the Audit and Risk Management Committee once finalised to the Board of Governors at its meeting on 26 November 2020.

20/09 **Risk Management**

Received:

- i) the University’s Risk Management Policy for 2020/21;
- ii) the University’s updated Risk Analysis and Action Plan for 2020/21
- iii) the University’s Covid Scenario and Risk Plan

Noted:

- i) that the Risk Management Policy 2020/21 had been reviewed with no material changes proposed other than updates to key staff members;
- ii) that following a detailed review of the Risk Analysis and Action Plan by those staff responsible for leading and assisting the management of risks, and wider discussion with their teams as recommended by the internal auditors, it was proposed that the rating of eight risks be amended as set out in the draft RAAP. The inclusion of comments from a wider group of staff had been helpful in this regard;
- iii) that the content of the University’s Covid Scenario and Risk Plan would need continual review and updating but that a number of the identified scenarios planned for had already emerged and were being managed in accordance with the Plan.
- iv) the significant work undertaken across the University on Covid planning, including scoping possibilities for participating in asymptomatic testing. Many universities are spending large amounts on Covid responses and the University had managed to achieve significant Covid secure measures with relatively small resources and staffing complement. Covid marshalling by staff had been undertaken for the commencement of term and feedback from students had been that that measure had made them feel ‘supported’. Covid group continues to meet twice a week to

plan strategy around the University's Covid response and the 2021 planning group also currently meets weekly. Plans for looking after students who will not return home over the Christmas break are continuing. Catering income remains challenging. The University continues to publicly report Covid positive case numbers.

- Agreed:
- i) to **RECOMMEND** to the Board that the University's Risk Management Policy for 2020/21 and the updated Risk Analysis and Action Plan for 2019/20 be approved;
 - ii) to **APPROVE** the University's Covid Scenario and Risk Plan

20/10 **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 2019/20;
 - iii) an oral report from the Chief Finance Officer on the work undertaken by KPMG during the year in relation to tax advice/any other work

- Noted:
- i) that the performance of Internal Auditors had been appropriate. Remote audit meetings had worked well and the relationship with RSM was overall open and professional RSM had been responsive and helpful and willing to address issues if raised;
 - ii) 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 2021 to provide a sector update. KPMG will complete their contract term in 2021;
 - iii) that a tender for external audit services will commence now to manage the appointment of external audits from 2021 onwards. Further discussion on this point are noted below in Member's Private Discussion;
 - iv) that KPMG had been contracted to advise on issues such as disposals made by Cedar Energy Limited and Chinese taxation issues -overseas activity is high risk so requires expert advice. KPMG will also be advising on university accommodation as a benefit in kind in the coming months. Whilst additional work of this nature is strictly limited by the University, these were areas where sector experience and knowledge is required. Members were content that appropriate safeguards remained in place to ensure there was no conflict with the external audit service also provided by KPMG and it was noted that KPMG had also included assurances to this effect in their report;

- Agreed: to recommend to the Board that RSM be reappointed as Internal Auditors for 2020/21 and that the procurement exercise for External Auditors be pursued for 2021 onwards.

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

20/11 **Discussion with Internal and External Auditors**

Considered: in discussion with the Internal and External Auditors the conduct of audit programs at the University during 2019/20.

Agreed: that the Internal 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 and the smooth transition from the University Secretary to the new Deputy University Secretary as lead contact for internal audit work. External Auditors confirmed that the Chief Finance Officer had a very good grasp of the complexities and challenges facing the University and expressed a view that management capacity at a senior level to meet the challenges with such a small team should be kept under review although the recent appointment of the Deputy University Secretary does assist in this with respect to senior staff. They also commented that the documentation produced by the University is of a high standard.

University officers re-joined the committee at this point.

20/12 **Client Briefings**

Received: i) Internal Audit Client Briefings;
ii) External Audit Client Briefings;

Noted: that there were a number of important matters affecting the HE Sector set out in the briefing papers. The University would continue to keep abreast of developments as they arise.

20/13 **Internal Audit Engagement Letter 2020/21**

Received: The Internal Audit Engagement Letter dated 5 November 2020

Agreed: that subject to the Board's approval of the committee's recommendation RSM be re-appointed, the Internal Audit Engagement Letter be accepted for 2020/21.

20/14 **External Audit Engagement Letter 2019/20**

Noted: that as KPMG would be completing their term as external auditors shortly, they would not be issuing an External Audit Engagement Letter for the period from 01 August 2020 unless re-appointed to the role following the tender exercise. They would however be attending the January meeting of the Committee and would be available for hand-over in due course as required **MD**

Agreed: that in due course an External Audit Engagement Letter for the period from 01 August 2020 would be reviewed and subject to that, recommended to the Board **LF/KB**

20/15 **Members Private Discussion**

Noted: there were no issues to note.

20/16 **Any other Business**

Received: a briefing from Mr Greetham and Mr Griffiths on their attendance at a BDO event.

- Noted: i) that the BDO session had been useful. The matters discussed included information on the Government funding available to universities to alleviate pressures on cash flow (such funds need to be paid back), the upturn in the student demographic but against the risk on lower international students which remains and bank covenant breach risks. It was noted that the University appears to be managing resilience as effectively as possible in the current climate in comparison with others.
- ii) that the Board approved on 2nd October to permit the Deputy University Secretary to act as an authorised signatory of the Board. The Chair of Audit and Risk Management Committee had also agreed the changes in advance of the Board meeting.
- iii) the Committee wanted to note its thanks to University staff for all the work done with teams across the University to manage the current pandemic and the University's response.

Date of next meeting it was agreed that the date of the meeting would be moved to 27 January 2021 at 9.30am (Mr Hambleton would be unavailable for the meeting).