

- iii) that the Students' Union Office Manager had made significant progress in completing the various actions and was confident that the Students' Union would be able to provide evidence in due course to RSM demonstrating that actions had been fully completed. Only one action remained to be completed and this was scheduled for January 2017.

16/05 **Annual Internal Audit Report 2015/16**

Received: the Annual Internal Audit Report 2015/16.

Noted: i) that the internal auditors were presenting a positive opinion with respect to their work during 2015/16. The auditors also referred to the additional work that had been completed in recent weeks and that reference to this work had been made in their report;

ii) that, RSM wished to review the final wording on page 31 of their report

Agreed: that RSM would complete their review and the final wording would be shared with the Chairman who would act with the delegated authority of the Committee.

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LR/PC

- ii) that, following further discussion with KPMG, it had also been agreed that 'biological assets' as defined by FRS 102 included the dairy herd as such herds were now regarded as a long term asset. This had, therefore, now been reflected in the financial statements;
- iii) that the Charity Commission regulations on the reporting of public benefits continued to be an important background document when considering the University's annual report and financial statements;
- iv) that the external auditors had found that preparing accounts for year-end July 2016 had been very challenging for many of their university clients due to the significant changes brought in under FRS 102. This has led to a significant amount of additional work for all finance teams in their experience and this had also been the case at Harper Adams;
- v) that the external auditors were pleased to note the significant amount of work and good progress that had been made on improving the University's arrangements for maintaining and updating its fixed asset register. In addition to this, sound progress had been made towards putting in revised purchase/payment processes and procedures;
- vi) that the revaluation of the Shropshire Local Government Pension Scheme (LGPS) was in line with changes seen in other LGPS pension schemes to which other university clients subscribed. The Director of Finance had recently attended the Shropshire LGPS employer meeting and had also attended a UCEA briefing in London on the LGPS. At both meetings, discussion had focused upon the fact that bond rates had been affected by BREXIT and this had led to significant increases in actuarial variations with regard to the funding shortfall. In Harper Adams's case, the deficit had increased to £17m, although it was understood that the increases were even larger for many other HEIs and, in some cases, had risen by up to 28%;
- vii) that the discussion at the recent Shropshire LGPS employers' meeting had, however, been slightly more positive in that Harper Adams's contributions would be increasing as an employer by 0.9% rather than the 2% which had been anticipated, with employer contributions rising to c14.3%. There would also be an adjustment to past service contribution which would be slightly reduced in the short term from £240k to £220k, although it was likely that it would go back to the £220k rate over the forthcoming 3-year period. The Shropshire Pension Scheme continued to perform reasonably well when compared to many other LGPS schemes and it was understood that, although schemes were going to be grouped together, these schemes would continue to make their own investment decisions and retain local control;
- viii) that Harper Adams was the only admitted body that had attended the recent UCEA meeting. The remainder of the universities attending were all required to be members of LGPS and had, in some cases, taken action to employ staff under separate subsidiary company arrangements so that alternative pension schemes could be offered. In addition, some had, therefore, closed membership of the relevant LGPS to new entrants. The Finance and General Purposes Committee would continue to be kept updated on pension arrangements;
- ix) that, in relation to Cedar Energy accounts, amendments had been made in relation to the treatment of the AD site. It was likely that Cedar Energy might not sell the slurry tanks to the University as had been previously suggested but would instead continue to provide

services to the University through the provision of slurry storage which had been further refined by the addition of the new bund. It had been necessary to impair the slurry tank assets due to the requirement for the investment in the bund to make the tank facility useable in an appropriate manner. In addition to this impairment, the asset review work had also led to recognition that there was a small number of assets held by the Farm and the IT team which needed to be impaired to reflect the fact that more values had significantly reduced;

- x) that the Cedar Energy Board had met immediately following the Finance and General Purposes Committee meeting and had agreed its annual report and financial statements, including the updated sections referred to above;
- xi) that the statement of controls as set out in the annual report and financial statements would be updated to reflect the discussions of the Committee; **CEB**
- xii) that detailed discussions had taken place with the Estates and Facilities Manager around the University's compartmentalisation of residences as assets. A schedule of refurbishment etc had now been reflected in the impairment charges;
- xiii) that the annual accounts and financial statements noted the contingent liability relating to the partnership with Dairy Crest; i.e. that, should the 15-year break clause become operational, the University may need to purchase the Dairy Crest Innovation Centre. However, at the current time, there was no indication that this was likely as the relationship was working very well. Careful governance arrangements were in place and the University and Dairy Crest had been shortlisted for a THE award for the innovative relationship that had been developed. Midlands Today would shortly be visiting the University to film a short piece about the shortlisting;

- vi) that as discussed at the meeting, KMPG wished to make some minor amendments to their report and would

- ii) that, as discussed at the meeting, internal auditors were happy to adjust the programme slightly and to carry forward the audits of Competition and Markets Authority compliance and the audit of strategic planning arrangements to 2017/18 given that an audit of strategic planning had taken place relatively recently and had not identified any significant issues and that the Board had received a detailed report on the University's compliance with CMA requirements at its meeting in September 2016 and, therefore, had received detailed management assurance recently on this specific issue. It was further recognised that this amendment to the internal audit plan would permit the University to address the recommendations made and that this would also allow the auditors time in their follow up schedule to address the outcomes of the special report.

Agreed: that progress with the internal audit plan remained appropriate subject to the rescheduling of audits noted above.

16/11 HEFCE Circulars

Received:

- i) HEFCE Accounts Direction for 2016/17
- ii) Changes to the Memorandum of Assurance and Accountability July 2016.

Noted:

- i) that the Accounts Direction for 2016/17 set out how the University should address its accounting arrangements during the current academic year;
- ii) that a number of changes to the Memorandum of Assurance and accountability had been made in July 2016. In particular, members were aware of the new focus on the Board's responsibilities in relation to academic quality assurance. The Board had focused upon this particular area of its work at the planning day held on 30 September 2016 and further reports would be considered as part of the forthcoming meeting on 29 November 2016.

16/12 Review of Internal and External Audit Performance

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- iii) that members of the Committee and University Officers had found engagement with the internal auditors to be appropriate during the year and were happy to recommend reappointment to the Board; the Director of Finance had met with Lisa Randall and found that the discussion had been useful in ensuring that further emphasis on detailed work within the finance team continued to be important;
- iv) that the performance of external auditors and their engagement with internal audit had been positive during the year and no issues had arisen. In the opinion of members of the Committee and of University Officers, external audit had also performed effectively during the year. A detailed "wash up meeting" would be taking place as usual once 2015/16 year end was fully complete.

Agreed: to recommend to the Board that RSM be reappointed s internal auditors for a further year and that KPMG be reappointed as external auditors for a further year. **PC**

16/13 Discussion with Internal and External Auditors

University Officers, including the University Secretary left the room for consideration of this item. The Chairman of the Committee agreed to take the notes in the Secretary's absence.

- Noted:
- i) that the external auditors confirmed that they consider the University's accounting policies to reflect an appropriate application of generally accepted accounting practice. This is particularly relevant to consider in view of the adoption of FRS102 this year.
 - ii) that both internal and external auditors wished to compliment the Finance Team on the very open, transparent and responsive way in which they deal with audit matters, despite the heavy year end workload.

16/14 Client Briefings

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

- Noted:
- i) that, in addition to the internal audit client briefings included in the agenda, RSM Benchmarking Report had also become available just prior to the meeting and was circulated for discussion at the meeting. In relation to this, it was noted that Harper Adams continued to perform effectively when compared to other HEIs for whom RSM provided internal audit services. Whilst the University was not complacent, it was pleasing that positive engagement had been demonstrated once again during the previous year;

help further develop links with agricultural institutions in New Zealand and to encourage further staff and student exchange.

16/15 Internal Audit Engagement Letter 2016/17

Received: for information, the draft Internal Audit Engagement Letter for the period to 31 December 2017.

Agreed: that the engagement letters remained appropriate for 2016/17, subject to the Board's approval of the reappointment of the internal auditors.

16/16 External Audit Engagement Letters 2016/17*

Received: for information, the External Audit Engagement Letters for the period to 31 July 2017

Agreed: that the engagement letters remained appropriate for 2016/17, subject to the Board's approval of the reappointment of the external auditors.

16/17 Any Other Business

Noted: that University was continuing to engage with fraud Guidance issued by the Charity Commission together with a number of sources of advice forthcoming from engagement with the BUFDG Fraud Task Group and other information and guidance issued by HEFCE and others relevant bodies.

16/18 Date of Next meeting

16 February 2017 at 10.00 am