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# HE Governance Update

## January 2016

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### HEFCE Assurance Reviews

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Our previous updates have addressed the periodic HEFCE Assurance Review visits to institutions. HEFCE use these visits to gain assurance that the main annual institutional returns are reliable. During the visits HEFCE review agendas and minutes from governing bodies and key committees and meet with senior executive and non-executive staff. On concluding the visit HEFCE form an opinion on whether the institution has robust mechanisms in place to ensure that:

- funds have been applied only for the purposes for which they were received
- it is financially sustainable
- risk management, control and governance arrangements are effective
- value for money is achieved
- data can be relied on.

We met with the HEFCE Assurance Team in November 2015 to gain discussion themes from their recent visits. HEFCE highlighted that their current concerns include:

- omission of charity disclosures from annual reports; omission of appropriate links from institutions' websites; and limited evidence of institutional charitable objectives being considered at governing body meetings;
- a lack of management assurance, beyond internal audit assurance, to governors that data returns are compliant with external requirements.

In addition, governors will be probed during these visits on how they gain assurances that academic quality can be relied upon and that effective arrangements are in place to comply with the Prevent duty.

HEFCE confirmed that these visits rarely identify fundamental concerns. Instead matters raised tend to be housekeeping points.



## Remuneration Committees

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Earlier in 2015, the Committee of University Chairs (CUC) issued a practice note concerning Remuneration Committees. An effective Remuneration Committee is a key element of good governance and the note recognises a difficult challenge in responding to the global market for talent while ensuring that pay is clearly linked to performance and that increases are sustainable.

The CUC practice note advocates:

- clear terms of reference which are approved and regularly reviewed by the governing body
- processes by which remuneration committees reach decisions being clearly available to and understood by all stakeholders
- decisions being founded on evidence based criteria related to performance, staff retention and behaviours as approved by the governing body
- reports from remuneration committees to governing bodies providing sufficient detail of their deliberations to enable governors be assured that a rigorous, fair and defensible process has taken place.

The note raises a number of considerations (based on practices seen) including the potential benefits of:

- co-opting an external expert and appointing the Student Union President to remuneration committees
- approving and publishing reports that set out how remuneration committees conduct business, comparative data used and the bases underpinning its judgement
- ensuring that remuneration committee activity is included within the audit plan.

## Value for Money (VFM) Reporting

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We continue to liaise with HEFCE regarding annual VFM reporting – using the findings from reviews across our members (and beyond) and the VFM Forum we held last year. We co-presented at a regional HE internal audit conference in November with HEFCE's Head of Procurement and Shared Services. The Head stated:

- institutional VFM reports (hitherto not mandatory) are a 'mixed bag' in terms of what is covered and the extent of quantifiable information given;
- although institutions must decide how to satisfy themselves about VFM arrangements, HEFCE would also like to use the reports to collate a sector summary of VFM achievements. This is something that the Department for Business, Innovation and Skills and HM Treasury increasingly expect of the Sector – but HEFCE are struggling to deliver at the moment – given the different approaches.



HEFCE will be issuing a sector consultation paper in early 2016 which will ask, amongst other things, whether an annual VFM report should become mandatory and requirements become more prescriptive.

We have been invited to join a group that considers the feedback from the consultation and we are also undertaking a benchmarking exercise reviewing institutions' current coverage in their annual VFM reports – which we will factor into the feedback.

## **Audit Committee Briefing Event**

We will be hosting an event in the spring aimed specifically at the challenges faced by audit committee members. We will draw upon the CUC Code of HE Governance, Financial Reporting Council outputs and HEFCE guidance (including feedback from the aforementioned institutional assurance reviews). The session will be practical and interactive and be structured around the annual Audit Committee opinions – data, VFM, risk management, internal control and governance.

For more information on these topics please contact:



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