Minutes of the Audit and Compliance Committee meeting held on Monday 7 November 2016 at 11.00am in the Principal’s Meeting Room.

The Committee met with the auditors before the meeting, without officers present.

Present: Ms Colette Wilson (Chair)
Ms Tina Harris
Mr Majid Hawa
Mr Gerry O’Hagan

In attendance: Professor Paul Layzell (Principal)
Dr David Ashton (Chief Operating Officer and Secretary to Council)
Mr Stephen Avery (Chief Financial Officer)
Mrs Jenny Febry (Deputy Chief Financial Officer)
Mrs Kay Trinder (Internal Audit Manager)
Mr Richard Evans (Deloitte Director)
Ms Stephanie Jones (Deloitte Manager)
Mrs Julia Roberts (Director of Strategic Planning and Change)
Mr James Ashton (BDO Business Assurance Partner)
Ms Paula Willock (BDO Director)
Ms Christine Cartwright (Governance and Compliance Officer), Minutes

Apologies: Mr Mark Newlands

1. TERMS OF REFERENCE AND MEMBERSHIP
NOTED this was the first meeting of this Committee for Gerry O’Hagan. 16/63

NOTED that the Terms of Reference required the Committee to receive audit certificates but that none had been received for some years. It was noted that these were rarely completed and were a HEFCE requirement. 16/64

AGREED to update the Terms of Reference to reflect that this was an external requirement. 16/65

AGREED to update the Terms of Reference to reflect the membership of both an Internal Audit Manager and Internal Audit team. 16/66

2. MINUTES
APPROVED the minutes of the last meeting held on 4 July 2016 subject to a clarification linking 16/48 to 16/49. 16/67

3. MATTERS ARISING FROM THE MINUTES
NOTED that an update on the financial review would be received at the meeting in February. 16/68

4. ACTIONS LIST
NOTED the completed and current actions which resulted from previous meetings. 16/69

5. EXTERNAL AUDIT
RECEIVED the annual report from BDO (ACC/16/28). 16/70

NOTED that the College had successfully implemented FRS102 although it had been difficult, but this was common throughout the sector. Comparability would not be possible until 2017/18 and FRS102 would be updated in 2018/19. The outstanding points on page 5 of the report were completed or would shortly be completed, and it was noted that a £70,000 credit was due to the College from HEFCE. 16/71
NOTED that looking forward, there was a danger of collateral damage if the College was not identified as strongly focused on teaching or research as the College may simply be allocated a number of international students for recruitment without the option to manoeuvre.

6. ANNUAL ACCOUNTS AND FINANCE STATEMENTS

6.1 RECEIVED the Financial Statements (ACC/16/29a-b) for the year ending 31 July 2016. It was noted that the strategic context was currently reflective but would be developed to become more forward-looking.

RECEIVED the statement on Going Concern (ACC/16/29c). It was noted that the College is currently at the peak of an investment phase and the end of July is traditionally a low-cash time. Finance Committee will be asked to consider future levels of capital expenditure. To ensure College financial and operational sustainability there is a certain minimum level of capital expenditure, and to ensure College flourishes and develops there are a range of higher levels of expenditure. College needs to settle on a future level of capital expenditure which achieves balance between these. The Finance Committee is also monitoring covenant compliance, and this is included in College’s financial model.

AGREED to recommend the Financial Statements to Council for approval.

6.2 RECEIVED and CONSIDERED the accounts for the Founder's Endowment Fund (ACC/16/30). It was noted that spending from the fund had currently been halted while the governance arrangements for the administration of the fund were being clarified.

The trustees were considering whether a sub-group should be established to valuate requests to use the Founder's Endowment Fund during the year.

6.3 RECEIVED and CONSIDERED the accounts for Royal Holloway Enterprise Ltd (ACC/16/31) and noted that the income had reduced from the previous year. The company had chosen to Gift Aid all profits in 2015-16 to College which reduced the taxation to nil.

NOTED that the company's activity had significantly reduced and it was possible that the company may close as the administration of the company was greater than the benefits it provided.

AGREED to recommend the accounts to the Royal Holloway Enterprise Board.

7. INTERNAL AUDIT

7.1 RECEIVED the Internal Audit Manager’s report (ACC/16/32) and noted that the 2015-16 audit plan had been completed, and that the 2016-17 audit plan was underway.

NOTED that the outstanding recommendations and those over one year old would be reviewed by the Chief Operating Officer and both a timescale for completion and progress report would be brought to the Committee in February.

NOTED that a second incident of fraud had occurred with regards to cashing up procedures.

AGREED that managers would be mandated to report on how they had revised procedures to prevent this from happening again.

NOTED that the inclusion of the use of contractors in the audit on the Human Resources department was welcomed and discussed both the positive and negative effects of the use of part-time or temporary workers.

7.2 RECEIVED the progress report from Deloitte for the 2015-16 plan (ACC/16/33) and noted that the planned work was complete.
DISCUSSED the outcome of the Cyber Security audit and recognised that controls were in place despite the outcome of nil assurance. The proposed response to the recommendations was robust and the timescale was sensible.

NOTED that following the overspend on the maintenance of the Kingswood halls of residence refurbishment, all cyclical maintenance on the halls of residence would be overseen by a project board and would be subject to the same level of project governance as large projects.

7.5 RECEIVED the annual report from Deloitte for the 2015-16 year (ACC/16/35). It was noted that subject to a few minor amendments the report would be submitted to HEFCE. On this occasion the College had been awarded limited assurance on internal controls as a result of the nil assurance report on Cyber Security.

7.3 RECEIVED the proposed plan from the IT Services department to address the recommendations from both the Cyber Security and Data Protection audits (ACC/16/34). It was noted that a steering group had been established to which IT would report their progress. The request for funding was currently being considered as was the manner in which it would be released.

NOTED that specialist knowledge would be required to deliver some of the proposal and reassurance was given that some of the money requested would be spent on providing that. It was also noted that achieving buy-in from staff and students would be critical to ensure the College could deliver some of the proposed actions.

7.4 RECEIVED the Data Management policy from the Master Data Management Reporting Group which had been established following the Data Protection audit (ACC/16/34a). It would be implemented with the assistance of IT Services and would be refined through the steering group which is overseeing the delivery of IT’s response plan.

7.6 NOTED the report regarding the actions taken following the overspend on the Kingswood halls of residence programme (ACC/16/36).

8. VALUE FOR MONEY
RECEIVED the Value for Money report (ACC/16/37) which is part of the College’s annual accountability to HEFCE and is now mandatory. It was noted that this report was significantly more detailed than in previous years as a result of guidance provided by HEFCE. It is expected templates will be provided in future which will enable benchmarking.

9. ANNUAL REPORT TO COUNCIL
RECEIVED the draft of the annual report to Council and discussed minor amendments (ACC/16/38). Paragraph 9 would be updated to reflect totally number of reports received, and the information in paragraph 20 would be re-presented to provide clarity on the opinion of the Committee.

AGREED to recommend the report to Council subject to those amendments.

10. HEFCE ANNUAL ASSURANCE
10.1 RECEIVED the Annex A return (ACC/16/39) and noted that part 2 of the return was new and reflected the new academic quality assurance responsibilities given to governing bodies.

10.2 RECEIVED and APPROVED the proposed sign off process for the TRAC (Transparent Approach to Costing) Return (ACC/16/40).

11. COMPLIANCE
NOTED that the Research Ethics Committee had not met since 21 June 2016. The next meeting would take place on 30 November 2016.
12. **RISK REGISTER**  
RECEIVED the updated risk register (ACC/16/41) and noted that this would be revised subsequent to the refresh of the College’s strategy. It was noted that there were further updates to be presented and that a full document would be created which quantifies the risks.  

13. **REGULATORY LANDSCAPE**  
RECEIVED the paper which provided a high level overview of the regulatory landscape in which the College operated (ACC/16/42). It was noted that a more detailed assurance map would be developed to enable the College to map its response against the requirements of the regulators, and that this would be tied in to the risk register.  

14. **BOOK OF BUSINESS**  
RECEIVED the book of business for the year and agreed to map the planned work against the Terms of Reference to ensure all duties were accounted for (ACC/16/43).  

15. **EXTERNAL AUDIT PROVISION**  
RECEIVED and discussed the plan and associated timescale for tendering for a new external audit provider as BDO’s contract had expired (ACC/16/44).  

AGREED that Council would be informed of the timescale and necessity for approval by circulation at the meeting in November.  

AGREED to consider the provision of Internal Audit at the meeting in February.  

16. **DATE OF THE NEXT MEETING**  
NOTED that the date of the next meeting is 10.30am on 6 February 2017, in the Principal’s Meeting Room.