Minutes of the Audit and Compliance Committee meeting held on Monday 13 November 2017 at 5.00pm 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

In attendance: 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)
                Mrs Julia Roberts (Director of Strategic, Planning and Change)
                Ms Morag Childs (Deloitte Partner)
                Mr Richard Neal (Deloitte Senior Manager)
                Ms Paula Willock (BDO Director)
                Ms Anna Sendall (Director of Governance and Legal Services) - Secretary
                Ms Christine Cartwright (Governance and Compliance Officer) - Minutes

Apologies: Ms Chris Shoukry

1. **TERMS OF REFERENCE AND MEMBERSHIP**
   NOTED the terms of reference for the Committee and that the Director of Strategic Planning and Change was not listed among those members of College who attend. Additionally, the Committee questioned whether the Principal needed to be able to send a nominee in his place, as currently provided for in the membership.

   AGREED that the Chair would discuss this with the relevant parties outside of the meeting.

   NOTED that for the 2018-19 year the Committee would no longer be reporting to HEFCE and an amendment would be required.

2. **CONFLICT OF INTEREST**
   NOTED the declaration of the conflict of interest by a member of the External Audit team. The Committee discussed the proposed measures to address any potential conflicts which could arise and found them to be acceptable.

   NOTED that the second member of the External Audit team had confirmed that no bias had occurred in the admissions process for the son of the member of the External Audit team in question, and that there were no irregularities in the payment of fees.

3. **MINUTES**
   The minutes of the meeting on 17 July 2017 were approved.

4. **MATTERS ARISING FROM THE MINUTES**
   There were no matters arising.

5. **ACTIONS**
   The outstanding actions were reviewed and it was noted that the majority would be addressed in the business of the meeting.

6. **EXTERNAL AUDIT**
   RECEIVED the annual report from BDO.
NOTED that items 1-3 of the outstanding matters highlighted in the Audit Opinion had been cleared since the drafting of the report and that items 4-7 would be completed upon the signing of the accounts.

NOTED that the section of the Management Letter pertaining to related party transactions had been issued to all BDO clients and was an attempt to future proof against future increased scrutiny.

DISCUSSED how the data analytics contributed to the efforts against fraud and error, and that repetitive or weekend transactions could be identified as they were more likely to be suspicious transactions.

DISCUSSED how the External Audit work changed with the requirement to look at strategic reports, and that this required a more interrogative and documented approach but that they still had discretion about how deep to delve.

7. ANNUAL ACCOUNTS AND FINANCIAL STATEMENTS

7.1 RECEIVED the Financial Statements for the year ending 31 July 2017.

NOTED that the financial performance for the year had been in line with budget forecasts, and that the residences project had been delivered under budget, with the Library and Student Services Centre being delivered on budget.

NOTED that recruitment had been broadly in line with the plan, and that the end of year cash position was £51m which was in the middle of the band reported to Council in July.

NOTED that the Finance Committee had discussed the pension contribution changes and that looking forwards there may be challenges regarding our cash vs capital position.

DISCUSSED how the changes in the MAA would affect us, and that the College had pre-emptively been in discussions with HEFCE about the use of a revolving credit facility. NOTED that we were no longer under EBITDAR scrutiny by HEFCE.

DISCUSSED how the pension contribution changes could affect the annual surplus and that a 1% increase in employer contributions would cost £0.7m.

AGREED to amend one sentence on page 6 of the Financial Statements to clarify the point being made about the effect of the pension scheme on the annual surplus.

RECEIVED the statement on Going Concern.

NOTED that this looks particularly at the next 12 months but in the context of a 3 – 10 year scope. NOTED that the College has considerable ability to trade for the next 12 months and had conducted stress testing of the finances based on the model used by KPMG.

DISCUSSED the link between the Going Concern and the Risk Register and that particular concerns such as the capping of tuition fees was noted in the register.

AGREED to recommend the Financial Statements to Council for approval.

7.2 RECEIVED the External Auditor’s draft Representation Letter.

NOTED that there was nothing specific to the College in the letter and that the record of two unadjusted errors would be attached when the letter was submitted to Council.

7.3 CONSIDERED a financial report on the Founders Endowment Fund.
NOTED that plans for expenditure would be considered by the Founders Endowment Fund Subcommittee in February.

7.4 CONSIDERED the Financial Statements for Royal Holloway Enterprise Ltd for approval by the RHE Board on 20 November 2017.

NOTED that the Finance Committee had asked for a report on enterprise activity and this would be delivered once the new Director of Research and Enterprise was in post.

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

8. INTERNAL AUDIT

8.1 RECEIVED the Internal Audit Manager’s report.

NOTED that the audit on employability had been exchanged for a piece of work on the personal tutor system which had now been running for a year. An employability strategy will be launched soon and so the College considered that it would not be a good use of audit days to examine an area shortly due for overhaul.

DISCUSSED whether the report on the personal tutor system should be sent to the Council Academic Quality Assurance Committee and agreed that if requested, it would be sent.

NOTED that some of the long-standing recommendations from the work on the Departmental Health Checks could now be removed.

NOTED that the Conflict of Interest training had been procured and was now in place for those staff who had been identified as needing the training. This will be monitored by Staff Development.

NOTED that the College had not been affected by the cyber security attack suffered by Deloitte in September.

8.2 RECEIVED the Internal Auditor’s progress report.

NOTED the revised audit plan for the 2017-18 year and that revisions had been made to the days allocated to some of the planned reports, along with the aforementioned exchange of employability for the personal tutor system.

AGREED that the plan would be updated to reflect the Committee’s intention to hold the meeting in advance of Council’s final meeting of the year.

DISCUSSED how the personal tutor system would be judged to be successful, and that this would be determined by how the students felt about it and if they considered it had improved their experience.

8.3 RECEIVED the Internal Auditor’s annual report.

NOTED that the plan for 2016-17 had been completed and that the overall assurance rating was improved from 2015-16. The Audit Opinion for 2016-17 had been revised since the report was brought to the Committee in July and included a note on the exception for the Procure to Pay audit.

8.4 RECEIVED the Internal Auditor’s draft report on the preparation for the General Data Protection Regulation implementation.

NOTED that the draft report was being brought to the Committee due to the timing of the next meeting and that the external deadline for compliance with the GDPR is very close.
DISCUSSED management's proposed risk based approach to the work to be conducted to ensure adherence to GDPR.

AGREED that Council and the Committee would receive an update on the progress at their February meetings.

8.5 RECEIVED the College's response to the Purchase to Pay audit.

NOTED that at the February meeting the financial analytics would provide a more robust assessment of compliance with the financial controls and facilitate a plan going forwards.

9. **AUDIT UNIVERSE**

9.1 CONSIDERED the College's draft audit universe tool.

NOTED that this will inform the College's forward-looking audit plan and a more complete version will be presented to the Committee in February.

9.2 RECEIVED the Internal Auditor's regulatory landscape.

DISCUSSED how the landscape helps to demonstrate the areas where assurance is needed and how this can be linked with the audit universe.

10. **FINANCE**

CONSIDERED the College's proposed response to the Criminal Finances Act 2017 and AGREED to recommend the commitment statement to Council for approval.

NOTED that a gap analysis to compliance will be brought to the meeting in February.

11. **RISK MANAGEMENT**

CONSIDERED the strategic risk register.

NOTED that there was no substantial change to the register since it had last been brought to the Committee and that minor changes were highlighted in the attached paper.

NOTED that Risk 4 had changed since the papers had been circulated as the College had not been selected to participate in the subject-level TEF pilot.

The risk register will be reviewed significantly following the meeting of Council in November and to reflect the outcomes of the current consultation about the Office for Students.

12. **ANNUAL REPORT TO COUNCIL**

CONSIDERED a draft of the Committee’s Annual Report to Council and suggested some amendments.

AGREED to submit the report to Council following the Chair’s approval of the amendments.

13. **HEFCE ANNUAL ASSURANCE**

13.1 RECEIVED the Annex A return.

NOTED that it was not necessary for the Committee to receive this in future.

13.2 RECEIVED and APPROVED the proposed sign off process for the TRAC (Transparent Approach to Costing) Return.

14. **COMPLIANCE**
RECEIVED the minutes of the meeting of the Research Ethics Committee from 5 October 2017.

15. **ACC BOOK OF BUSINESS**
CONSIDERED the planned work for the 2017-18 academic year.

16. **INTERNAL AUDIT PROVISION**
CONSIDERED the timetable for the re-tendering of the Internal Audit provision.

NOTED that the pre-market engagement questionnaire had been distributed and that the contract start date needed to be brought forward to 1 July.

AGREED that the Chair, Secretary and Deputy Secretary to Council and the Internal Audit Manager would meet separately to agree on the scope to be shared as part of the procurement process.

17. **DATE OF THE NEXT MEETING**
The date of the next meeting is 5 February 2018, 10.30 am in the Principal’s Meeting Room