Minutes of the Audit and Compliance Committee meeting held on Monday 15 February 2016 at 10.30am in the Principal's Meeting Room.

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

Present:  
Mr David Spence (Chair)  
Ms Tina Harris  
Mr Majid Hawa  
Mr Mark Newlands  
Ms Colette Wilson

In attendance:  
Professor Paul Layzell (Principal)  
Mr Simon Higman (Registrar and Secretary)  
Ms Jenny Febry (Acting Director of Finance)  
Mrs Kay Trinder (Internal Audit Manager)  
Mr Richard Evans (Deloitte Director)  
Mrs Julia Roberts (Director of Strategic Planning and Change) (for item 4)  
Professor Paul Hogg (Vice Principal for Research and Enterprise) (for item 7 Research Ethics Committee annual report only)  
Mrs Rachel Knight (Deputy College Secretary and Secretary to the Committee)

1. TERMS OF REFERENCE AND MEMBERSHIP  
RECEIVED the terms of reference and membership for the 2015-16 academic year.  
16/01

2. MINUTES  
APPROVED the minutes of the last meeting held on 2 November 2015  
16/02

3. MATTERS ARISING FROM THE MINUTES  
NOTED that the Committee received an update by circulation on 3 February 2016 (ACC/16/02) regarding internal audit recommendations which were over 1 year old (M15/09).  
16/03

NOTED that the Committee received a revised timeframe for the Data Protection and Security Audit recommendations by circulation (ACC/16/03) on 3 February 2016 (M15/93). The original 8 recommendations had been broken down into 33, 7 of which management had disagreed with. A number of the recommendations were discussed, particularly number 26 regarding encryption. It was recognised that current system and resource limitations were the reasons behind the management disagreeing with these recommendations, and that once other recommendations had been completed the limitations would be removed and would allow these recommendations to be reconsidered. The College was in the process of appointing an Information Security Officer, who would be responsible for implementing the recommendations over the next 6 months. Even so the Committee were advised that the July 2016 deadline was somewhat optimistic.  
16/04

DISCUSSED whether the response to data security risk had been built around an established framework or whether it was unique to the College. It was not clear that management had responded to the recommendations with a framework in mind. It was noted that the upcoming cybersecurity internal audit had not yet been scoped, but that when completed the internal audit should link with the data security governance and risks. It was also noted that the College Data Protection Officer would need to improve links with IT.  
16/05

AGREED to check whether there was an established sector framework for Data Security that could be adopted.  
16/06
Royal Holloway, University of London  
Audit and Compliance Committee  
M16/01 - M16/30

RECEIVED a report on progress with the assessment of the impact of the Consumer Credit Regulations on College activity (ACC/16/04). The report included the current sector wide view that universities do not offer or recommend credit providers. BUFDG (British Universities Finance Directors Group) were continuing to take questions from sector practitioners for clarification during the next 3 months and then a final report would be published.

4. **RISK MANAGEMENT**

RECEIVED the updated strategic risk register (ACC/16/07) which had been revised as discussed at the November Council meeting. The Planning and Resources Committee had subsequently confirmed that the amendments reflected the discussions in Council. It was noted that there was no dedicated College Risk Management Committee but that the risk management framework used established groups. The risk management policy explained where risks were managed and reported, including the requirement for the Planning and Resources committee to regularly review the risks, risk tolerances and scoring. During the annual planning round all academic departments and professional services were required to submit risk registers regarding the delivery of their plans. These were reviewed to ensure the strategic risk register did not exclude risks that departments or services considered to be relevant. All projects had their own risk registers, which were monitored throughout the project and reviewed by the relevant Project Board, which in turn were scrutinised by the appropriate Committee. The Committee questioned why all residual risks were significantly lower than the gross risks, which they felt was unusual for a university. It was noted that the risks regarding third party contractors, UKVI and cybersecurity were considered to be significant concerns. Countermeasures for all risks were already effective, and the residual risk therefore reflected the actual risk now. The only exception to this was the risk regarding cybersecurity, which had been recently added to the register and the countermeasures were still being introduced. However, the Committee felt that the impact and tolerance for the cybersecurity risk were too low given the profile of the Information Security Group and the potential reputational damage.

NOTED that the strategic plate was currently very full and that the volume of work was absorbing considerable management time, the combination of which had a massive impact and risk. This risk had been previously covered in the register, but it had been revised to refocus on the clarity of what the College was trying to achieve. There was also a suggestion that there needed to be further conversations about where each risk sat in terms of the risk appetites, i.e. the amount and type of risk that would be accepted within the absolute limits defined by the risk tolerance classification. There were some days in the internal audit plan assigned to risk and it was expected that this would facilitate some work in this area.

AGREED that the Planning and Resources Committee would reconsider the risk tolerance and residual risk impact scores for the risk regarding cybersecurity. They were also required to reconsider the contingency arrangements for the risk regarding delays to the capital building programme caused by third parties such as contractors, which included the management response to the National Student Survey (NSS) responses. The Committee were not satisfied that it was appropriate to use a slow burning measure such as the NSS responses to fix a short term or quick to develop problem. Additionally, a new risk needed to be added regarding the potential withdrawal of Great Britain from the European Union because the Committee were not satisfied that it was covered by the risk regarding government policy.

REQUIRED that risk management should be a standing item on all ACC agenda's and that an update on changes to the strategic risk register be presented to the next meeting.

RECEIVED an update on the results of the UKVI audit (ACC/16/08). The College had been fined as an employer, not as a sponsor, because five students were alleged to have worked more than 20 hours a week on at least one occasion in contravention of their visa conditions. It was noted that this was not a regular occurrence, but that the hours were calculated absolutely rather than averaged. The College had submitted an appeal against one of the penalties because the student had claimed more than 20 hours pay in one week, but had in fact worked no more than 20 hours in any one week. In response to
the fine the College had discussed introducing new measures to reduce the risk of the situation reoccurring and to ensure that any infringement should be reported to UKVI as soon as it was identified. In future students would only be eligible to work for one area of the College, would be asked to sign a declaration that they were not working for anyone else, internally or externally, and would enforce the regulations which stated that all students must not work more than 20 hours a week during term time. In future managers would be disciplined if they allowed student staff to work more than 20 hours a week. The Committee was satisfied that the College was responding appropriately, including a new control in the HR system which would require all students to register for work before commencing their employment with the College. Internal audit had started to scope the UKVI audit.

AGREED that the Committee would receive an update at the next meeting.

5. INTERNAL AUDIT

RECEIVED the Internal Audit Manager's report (ACC/16/09). Since the last meeting 5 audits had been finalised, 3 of which had been circulated to the Committee because they had received limited assurance. These were estates maintenance, contract management readiness advisory report and academic department health checks. The advisory report had been classified as advisory because it had considered a set of procedures rather than a system, but it was recognised that it did closely resemble a final internal audit report.

NOTED that similar recommendations had been highlighted on all department health checks to date, largely because the recommendations were regarding College policy rather than the failure of departments to follow procedures. The department governance guidelines were expected to be circulated before July 2016 and it was anticipated that these would remove a number of the recurring problems. It was understood that some departments had minimal administrative support which limited the professional delivery of some of the guidelines. Next year it was intended that the department health check audits would sample departments to check they were implementing the guidance. The Committee expressed disappointment that some of the internal audit findings were not clarified properly before finalising the reports. For example, 3 departments had reported that they receive the annual budget in May, but 1 department disagreed. It was apparent that this was because the department had not recognised the budget rather than because they had not received it and that this issue should have been resolved rather than escalated to the Committee.

NOTED that the Contract Management Readiness advisory report had highlighted that the issues that had enabled fraud to take place in 2014 had not been addressed, for example, segregation of duties remained an issue.

NOTED that the number of internal recommendations had increased by 18 as a result of the information security and data protection audit recommendations being broken down. The Committee expressed their disappointment that there were still recommendations over 1 year old and the Committee reconfirmed their target of Zero. The Committee discussed the recommendations individually and concluded that there were genuine problems with implementing the Payroll and precious assets recommendations. There was also a lack of resource to implement many recommendations because the College was very reluctant to commit to long term resources mid-year and departments were required to submit requests during the planning round when these resource decisions were made.

AGREED to remove the Risk Management internal audit 2012/13 recommendations from the outstanding recommendations list because they had been superseded by the subsequent audit completed in 2014/15.

RECEIVED a report from Deloitte regarding Internal Audit progress, including the final internal audit report estates maintenance and the advisory final internal report contract management readiness review (ACC/16/10).
APPROVED the changes to the 2015/16 internal audit plan including the deferral of the pre-HR system implementation review and amending the scope of the Record to Report audit. The Committee questioned the request to add a Finance Function Effectiveness Review because they were not clear about the scope or purpose nor why it should be funded by the internal audit budget. The diversion of resources from internal audit did not reflect a reduction in risks or suggest that the original budget was incorrect. The Committee approved the change with the understanding that if the internal audit budget was required for something else the Planning and Resources Committee would fund the Finance Function Effectiveness Review.

NOTED that the Estates Maintenance Internal Audit Report highlighted that there was some disagreement between the internal Auditors and the department regarding the mitigation of risks and effectiveness of controls. Although the department was engaging they believed the risks were mitigated but the internal auditors did not believe they were functioning. It was also recognised that implementing the recommendations would deliver efficiency savings, for example by using the updated condition survey as a base for the routine and cyclical maintenance decisions. The College was expecting that the new survey, combined with the appointment of an Estates Deputy Director, would signal an increased investment in maintenance.

AGREED that the summary of the management response to the aged debt recommendation on page 18 of the report was badly phrased and that a bad debt issue was not being raised.

6. FINANCIAL MATTERS
RECEIVED an update on the implementation of FRS102 and the revised accounting policies (ACC/16/11 and ACC/16/12). These were approved by the Finance Committee and they were expected to be forwarded to BDO in April before they were submitted for formal approval in July. It was anticipated that all gaps would have been completed before then. The Committee discussed the proposed revaluation of freehold land, recognition of research income and pension liabilities and noted that the approach the College had taken was comparable with the sector.

CONFIRMED that the Committee was comfortable with the proposed policies.

RECEIVED the London University Purchasing Consortium slavery and human trafficking statement (ACC/16/13).

7. COMPLIANCE
Research Ethics Committee
RECEIVED the Annual Report from the Research Ethics Committee (ACC/16/05). It was noted that Professor Hogg had assumed the chair at the start of the 2015/16 academic year when Professor Rastie had become the Head of Department. It had been an eventful year for the Committee which had approved 8 major ethics applications. The online system had developed well over the year and since its launch in November 2015 it had been used by over 70 applicants, with very few requiring a full review. The Psychology department was expected to be one of the main users of the system, and the new system had been rolled out to them in January 2016. The system would be reviewed at the end of the year, including a check to ensure that all departments were using it. It was essential that the new system became embedded as routine procedure and the Committee welcomed the continual development of the system.

Ethical Conduct of Business
RECEIVED the ethical conduct of business policy statement and the revised Conflict of Interest procedures (ACC/16/06). College Executive had made some comments on the draft and the Committee requested some changes, including further clarification of the difference between staff declarations and the annual register of interests, and the ultimate sanction for noncompliance being referral to the College Secretary, not HR. The Committee discussed the provision of training, and noted that whilst online modules could be helpful they should not be relied on in isolation. The College expected cultural resistance to widening the application of the procedures to all staff, which was understood to be peculiar to the sector.
8. **HEFCE ANNUAL ASSURANCE**  
   NOTED that the Annual HEFCE Return was submitted on 1 December 2015.  
   NOTED that the Committee confirmed compliance with the TRAC (Transparent Approach to Costing) requirements by circulation on 27 January 2016 (ACC/16/01).  

9. **DATE OF THE NEXT MEETING**  
   REQUIRED that the time of the next meeting be brought forwards to 10.00am on 4 July 2016, in the Principal’s Meeting Room.