AUDIT & COMPLIANCE COMMITTEE

Minutes of the sixteenth meeting of the Audit & Compliance Committee held on 26 February 2010

Present: Mr W F Rooke (Chair)
Mrs E Horwood
Mrs B Shorter

Apologies: Mr R Buswell
Mr M Newlands
Professor R Kemp (Acting Principal)

In Attendance: Professor A Tickell (Vice-Principal)
Mr M Evans (Internal Auditor)
Miss K Kerr (College Secretary and Head of Governance) (Secretary)
Mr G Robinson (Director of Finance)
Mrs J Strudley (Assistant Director of Finance)

1. MEMBERSHIP AND TERMS OF REFERENCE

1.1 Mrs Barbara Shorter was welcomed to her first meeting of the Committee. 10/01

1.2 The Committee noted the revised Terms of Reference which had been approved by the Council on 3 February 2010. It was noted that the revised Financial Memorandum would introduce further requirements of Audit Committees and that the Terms of Reference should be reviewed again in light of any changes. 10/02

1.3 It was noted that the Nominations and Honorary Awards Committee had proposed inviting Mr Stephen Cooksey to join the Committee. The Committee discussed recent KPMG advice which recommended Audit Committees playing a greater role in deciding their membership and asked that this should be reported to the Nominations and Honorary Awards Committee. 10/03

2. MINUTES

The Minutes of the last meeting held on 6 November 2009 (M 09/93 – M 09/121), which had been circulated by email, were confirmed subject to the agreed amendments to minutes M/09/98 and M/09/105. 10/04
3. **MATTERS ARISING FROM THE MINUTES**

3.1 **Annual Report to Council and Assurance Return to HEFCE**

Arising from minutes M/09/110 and M/09/111, it was noted that the Committee’s Annual report for 2008-09, together with the Annual Assurance Return, was submitted to HEFCE by 1 December 2009 and was received by the Council on 3 February 2010.

3.2 **Equal Opportunities**

Arising from M/09/84 and M/09/95, the Committee noted that an update from the Human Resources and Equal Opportunities Committee on proposals to secure compliance with attendance at Equality and Diversity training, was still outstanding.

3.3 **Investment Managers’ Control Reports**

Arising from M/09/100 the Committee was advised that the Chairs of the Finance and Investment Sub-Committee, and Audit and Compliance Committee had met with PriceWaterhouseCoopers who had recommended that the Sub-Committee note the audit opinion and follow-up any actions detailed within the Investment Managers’ Control Reports.

The Aberdeen Asset Management Control Report had been circulated. Kleinwort Benson had agreed to produce a report following lobbying from their customers. The date for its production had been requested.

3.4 **External Audit Matters**

Arising from M/09/103 the Internal Auditor had been asked to examine and implement the best practice controls for ensuring data quality identified within section 5 of the External Auditors’ Summary Report.

The controls had been reviewed but it was not considered that doing a full review of the base data would be of sufficient value to justify the time involved. The Internal Auditor had reviewed the validation checks and processes for managing the data and was satisfied with the arrangements that were in place.

Arising from M/09/105, the Committee received paper ACC/10/02 on In-Year Balance Sheet Reporting which had previously been considered by the Finance Committee (FC/10/08). Further information had been received since the Finance Committee had met which indicated that many HEIs were now undertaking In-Year reporting. It was therefore proposed that the College would implement half-yearly and possibly quarterly reporting during 2010/11. This proposal was welcomed by the Committee.

3.5 **Health and Safety Committee**

Arising from M/09/90 and M/09/115 the Committee noted that whilst there was no legal requirement to provide the defibrillator unit and associated training the College had now agreed to the necessary funding.

4. **POINTS BASED IMMIGRATION SYSTEM**

The Committee received a report on the Points Based Immigration System and its implementation at Royal Holloway (ACC/10/03)
Points Based Immigration had been added to the College’s Principal Risk Register. An internal audit had recently been completed and, whilst the College had made good progress with the implementation of the new systems, it was essential that the matter continued to receive attention given its importance to the institution. Another audit would be included in the 2010/11 audit plan.

The Committee discussed the problems with the monitoring of staff and students. Concern was raised about the self service module for staff and how changes were validated. It was noted that the College was not required to validate contact details but was required to hold up to date details. The monitoring processes, which were mostly manual, placed a considerable burden on the College. The Committee stressed the importance of regularly verifying that monitoring was being completed.

5. INSTITUTIONAL AUDIT

The Committee received a report on the planned 2011 Institutional Audit (ACC/10/04).

The College’s five-yearly Institutional Audit by the Quality Assurance Agency had been delayed pending a decision on the merger with St George’s but would now take place in 2011. The audit would assess confidence in the quality and standard of education and awarded degrees. The College had prepared a plan to prepare for the audit and a dry run would take place at the end of 2010.

6. INTERNAL AUDIT MATTERS

The Committee received the Internal Auditor’s Operational Report (ACC/10/05)

Internal Audit had completed a review of the TRAC return. HEFCE had introduced a new requirement for the return to be reviewed by a College Committee. This had been received from HEFCE after the meeting schedule had been agreed but provision had been made for timing difficulties within the requirement. The wording on the return would be circulated to the Committee following the meeting.

It was noted that the Internal Auditor had reported that in his view the College was compliant with the requirements. Thanks were expressed to the Internal Auditor for his work on this return.

There were ongoing difficulties with the finalisation of draft audit reports. There were also two fundamental and 15 significant weakness recommendations which had been accepted by management but which were now overdue, dating back to 2008 and 2009. The Committee considered this to be unacceptable. It appeared that management were not taking the audit reports seriously enough and, whilst it was acknowledged that events could overtake the requirements, these actions must be completed and cleared from the list. In future recommendations should be considered more carefully before being accepted if they were truly not considered to be significant weaknesses. Where possible control weaknesses should be identified separately from process improvement recommendations.

The Acting Principal and Vice- Principals had arranged to meet regularly with the Internal Auditor to review progress on reports.
It was
AGREED
That a report detailing the outstanding audit actions and management’s plan for closing out actions agreed in pre 2009 audit reports, should be provided for Council on 31 March 2010.

7. **HEFCE MATTERS**

7.1 The Committee received paper ACC/10/06, the HEFCE consultation on the revisions to the Financial Memorandum for consideration.

The Committee noted the main changes in the consultation document and that the Vice-Principal for Planning and Resources would be completing the College’s response. The changes appeared to reflect concerns raised by the problems at the London Metropolitan University but also suggested that HEFCE had deeper concerns about the sector which could be signalled more clearly.

A separate response would be returned by the Chair of Council on behalf of the CUC which would indicate where there were particular difficulties over the changes proposed to the role of governing bodies.

7.2 The Committee received paper ACC/10/07, the HEFCE consultation on regulating Higher Education institutions as charities.

The Committee requested that the consultation response included a request for clarity on the significant and material issues which would need to be reported to HEFCE.

7.3 The Committee received details of the 2010 HEFCE Assurance Review (ACC/10/08).

The HEFCE review was undertaken every three to five years. The Chair of the Audit and Compliance Committee would be required to meet the person undertaking the review and give assurance about the functioning of the Committee and the College’s approach to audit matters. It was noted that since the introduction of Savings for Growth and Planning for Change the College had not prepared separate statements on Value for Money.

It was
AGREED
That a paper on Value for Money should be provided for the Council meeting on 31 March 2010.

The Committee discussed the delegation of Treasury Management to the Finance Committee by Council. Legal advice had been requested on whether the Council was able to delegate full responsibility to the Finance Committee. Whilst it was agreed that the Finance Committee had done an excellent job during the credit crisis and generally, there was considerable concern about whether total delegation was appropriate or desirable. An annual report for Council to approve the limits within which the Finance Committee could operate would provide the necessary reassurance on exposure. The Chair of the Finance Committee had asked for a review of good practice and proposals would be brought forward for consideration by Council.
8 **COMPLIANCE**

8.1 Risk Management
The Committee received the unconfirmed minutes of the Risk Management Committee held on 29 January 2010 (ACC/10/09).

Mr Newland’s offer to work with the Assistant Director of Finance to review the College’s insurance arrangements was gratefully received. It was noted that consideration was being to given to how to best assess the level of cover required for business continuity purposes.

8.2 Health and Safety
The Committee received the minutes of the Health and Safety Committee held on 4 February 2010 (ACC/10/10).

8.3 Ethics
The Committee received the minutes of the Ethics Committee held on 6 October 2010 (ACC/10/11).

It was noted from minute EC/09/18 that Zurich Financial Services had requested examples of the issues that the Ethics Committee thought might need to be covered under ‘No Fault Cover’.

Concern was expressed over the small number of annual reports received from the Academic Departments (EC/09/21). Management should ensure that a clear timetable for submission was provided and that the reports were received.

8.4 Equal Opportunities
The Committee received the minutes of the Human Resources and Equal Opportunities Committee held on 17 November 2009

9 **COMMUNICATION**

9.1 The Committee did not agree any items for broad dissemination throughout the College at this time.

9.2 The Committee did not identify any items which should not be published automatically under the Freedom of Information Act.

10 **DATE OF NEXT MEETING**

The Committee noted that the date for the next meeting was Friday, 2 July 2010 at 10am.

11 **ANY OTHER BUSINESS**

There were no other items of business

Katie Kerr
College Secretary and Head of Governance
26 March 2010