Minutes of the Audit and Compliance Committee meeting held on Monday 27th July 2015 at 10am in the Principal’s Meeting Room.

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

In attendance:
Mr Simon Higman (Registrar and Secretary)
Ms Jenny Febry (Deputy Director of Finance)
Mrs Kay Trinder (Internal Audit Manager)
Mr James Aston (BDO Partner)
Mr Richard Evans (Deloitte Director)
Hilary Baker (Minutes)

1. APOLOGIES
Apologies were received from Professor Paul Layzell (Principal) and Mr Graeme Robinson (Director of Finance) and Rachel Knight (Deputy College Secretary)

2. MEMBERSHIP
Ms Tina Harris was welcomed to her first meeting as a co-opted member of the Committee.

NOTED that this would have been the Director of Finance’s last meeting as he was due to leave the College in September 2015. The process for recruiting a new Director of Finance was underway and Jenny Febry would be Acting Director of Finance in the interim. It was hoped that a new Director of Finance would be appointed by January 2016.

3. MINUTES
CONFIRMED and signed the minutes of the last meeting held on 9th February 2015 (M15/01-M15/27).

4. REVISED CUC HIGHER EDUCATION CODE OF GOVERNANCE
RECEIVED an update regarding compliance with the revised code (ACC/15/11). The paper provided an overview of work completed to identify areas of improvement needed to ensure compliance with the 7 primary elements of the code. The Committee discussed the primary elements and considered where further work was needed. Some areas of work would be straightforward as there were frameworks in place for ensuring legislative and regulatory requirements were met. However, other elements in particular element 4 which related to the governing body receiving assurance about academic governance would need more in depth consideration. It was noted that although Council received the minutes of Academic Board they had not received detailed reports on the work that was delegated to its committees. Consideration could be given to a presentation about the code being made to Academic Board to ensure that everybody (particularly at department level) was aware of the new requirements. Deloitte had an “legal assurance framework” that could be used to assist in providing assurance.
NOTED that the paper would be considered at the next meeting of Council Executive in September and at the full meeting of Council in October. Council Executive would be setting the agendas for Council meetings and work to comply with the code would be included. In order to provide the committee with reassurance that progress was being made in time for the HEFCE framework review in February 2016 it was proposed that the agenda plan for the year should be circulated to the committee. If there was concern about progress this could be addressed through correspondence or an extra meeting could be held.

ACTION that the Council agenda plan that would go to Council Executive should be circulated to the Committee before its next meeting.

5. COMPLIANCE
Research Ethics Committee
RECEIVED the report from the Research Ethics Committee meeting held on 16th June 2015. (ACC/15/12).

NOTED that the system for online application forms had now been implemented. Discussed that volume of applications could increase. The Committee discussed that the report did not provide an audit trail of what had been considered and whether it would be helpful to for them to see sample reports.

ACTION – agreed that two detailed sample reports would be provided to the Committee at the next meeting.

6. INTERNAL AUDIT
RECEIVED the Internal Audit Manager’s Report (ACC/15/06).

NOTED that good progress had been made with the delivery of the audit plan with only one report outstanding from the final audit plan for 2015/16. The Data Protection and Security audit had been issued in draft format and is awaiting a management response. There were two high priority recommendations one relating to password security and the other ensuring that third parties deal with the College’s data appropriately. It was likely to be given a limited assurance. The Committee questioned whether cyber security had been included in the scope of the audit. It was confirmed that this was a separate issue which would be covered in the 2015/16 plan.

NOTED that the UKVI follow up audit carried out by the internal audit manager was nearing completion and no student records had been found to be missing from the sample.

NOTED that Deloitte had produced a draft plan for the years 2015/16-2017/18. A number of the audits for 2015/16 had already been scoped and scheduled.

DISCUSSED the two recent cases of fraud. In relation to the case involving the larger amount the College insurers had reimbursed the full amount paid to the company involved (£192k) less an excess of £10k. The fraud had been reported to HEFCE and policies were being put in place to prevent this happening again. The second case had been reported to Action Fraud but as it was a relatively small amount (£1.4k) the Police were unlikely to take action. Campus Services were putting in place recommendations to prevent a re-occurrence. The internal audit manager would follow up all procedures put in place to reduce the risk of recurrence of both frauds in the next year.

NOTED that 4 audit reports had been taken off the schedule as all the recommendations have been implemented.
NOTED progress on audit reports containing recommendations of over a year old. It was expected that the Estates Framework review, Purchasing view and Sustainability audits would be completed by August. Work was ongoing to identify a training package for staff in relation to conflicts of interests and bribery. The Committee highlighted the importance of the correct level of staff completing the training. Work on the recording, management and control of precious assets was also ongoing and a new museums system was planned to ensure that all precious assets could be recorded, monitored and tracked.

AGREED that audit recommendations in relation to Data Integrity and Carbon Management policies for the years 2010/11 could be removed as the situations had changed and the risks attached to these were considerably reduced.

RECEIVED internal audit progress report from Deloitte (ACC/15/24). Discussed the summary of final reports. Noted that changes in the management of administration within faculties should improve consistency of governance across departments.

Health & Safety audit - the committee noted that the deadline of 2017 for the completion of the recommendation about risk assessment was not acceptable, at the minimum progress should be shown through stages. It was agreed that particularly in light of the HEFCE assurance visit in February 2016 the deadline should be brought forward to 2016 although this would have resource implications.

NOTED that the deadline for the priority 2 recommendations in respect of the Data Quality Student loans company attendance had passed. An update will be provided by the Internal Audit Manager at the next meeting.

RECEIVED the Draft Internal Audit Report from Deloitte (ACC/15/15) The final report would be submitted to HEFCE in December and the report would remain in draft until approved by the Committee. The overall assurance remained reasonable. Although there had been five limited assurance audits work had been undertaken in new areas which management had raised as being of potential concern so the change in assurance opinions was expected and did not reflect a change in the overall control environment.

DISCUSSED whether it was of concern that additional auditee engagement had been required to follow up findings where Deloitte not been provided with sufficient and appropriate evidence to remove a recommendation. There needed to be an internal mechanism for appropriate evidence to be provided or if not for appropriate steps to be taken. This would be addressed further.

NOTED that future audits would be carried out over a number of weeks rather than a two week block to allow for workloads. It was not anticipated that it would take more than one month to complete an audit. It was stressed that milestones should be clarified and understood upfront or deadlines would drift.

DISCUSSED follow up to Capital Projects Audit still had recommendations assessed as partly or not implemented due to resourcing issues and the workload in Estates. It was noted that a new Project Manager had been recruited and that recruitment was ongoing to remedy this but improved project boards and tighter control processes have improved overall control in this area.

RECEIVED Internal Audit Plan 2015/16 – 2017/18 (ACC/15/17)

NOTED that HEFCE expected internal audit to consider systems where there was academic risk. The exam management audit would link into the academic process as well as being important to the underlying student experience.
DISCUSSED that further detail was needed about the scope of each audit and to highlight where data analytics might be used to move an audit forward so that VFM from each audit was identifiable.

ACTION: Deloitte would provide a brief 1 page summary for each audit to ACC.

NOTED that senior management had agreed the plan.

APPROVED the Audit Plan 2015/16 – 2017/18

RECEIVED updated Draft Internal Audit Charter (ACC/15/18).

7. RISK MANAGEMENT

NOTED that risk management had been covered in the departmental risk deep dive and that risk management was not yet very well embedded.

8. EXTERNAL AUDIT MATTERS

RECEIVED the Planning Report from BDO to the Audit & Compliance Committee. Noted that the HESA reconciliation will not be available at the time of the final audit but this will be audited subsequently. An interim audit has been carried out under GAAP and SORP which did not present any concerns.

NOTED that engagement letter had been signed and returned.

APPROVED the External Audit Fees for the year ending 31st July 2015.

9. FINANCIAL MATTERS

RECEIVED a paper regarding the introduction of Financial Reporting Standard 102 (ACC/15/20).

NOTED that the College is required to adopt FRS 102 for the financial statements for the year to 31st July 2016. Substantial changes to the College’s accounting policies will be needed to ensure that the financial statements comply with FRS 102 which could have a substantial impact on the valuation of land and buildings in the balance sheet. The proposed accounting policies had been prepared with advice from KPMG and BDO had reviewed them. The 2014-15 accounts will be prepared on the current basis and then the reviewed opening and closing balance sheets and financial results will be prepared under FRS 102. BDO will then review the restated accounts before the end of 2015-16 in preparation for the first full financial statements for the year 2015-16. Following the restatement exercise and review by BDO the final accounting policies will be presented to Finance Committee and Audit & Compliance Committee for recommendation to Council for approval.

10. HEFCE ASSURANCE REVIEW

NOTED that a HEFCE Assurance Review was due to take place in February 2016 and that appropriate arrangements were being made for this.

11. DATE OF NEXT MEETING
Royal Holloway, University of London
Audit and Compliance Committee
M15/28 – M15/65

2nd November 2015 at 10.00 am in the Principal’s Meeting Room.

12. DATES OF FUTURE MEETINGS

2015-2016
15 February 2016, 10.30 am
4 July 2016, 11 am

2016-2017
7 November 2016, 11 am
6 February 2017, 10.30 am
17 July 2017, 10.30 am

2017-2018
16 November 2017, 11 am
5 February 2018, 10.30 am
18 July, 10 am