AUDIT & COMPLIANCE COMMITTEE

Minutes of the fifteenth meeting of the Audit & Compliance Committee held on 6 November 2009

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

Apologies: Mr R Buswell
           Mrs B Shorter-Beckwith
           Mr M Newlands

In Attendance: Professor R Kemp (Acting Principal)
               Mr M Evans (Internal Auditor)
               Miss K Kerr (College Secretary and Head of Governance)
               Mr G Robinson (Director of Finance)
               Mrs J Strudley (Assistant Director of Finance)
               Mr T Croom (Audit Manager, Deloitte) (Until item 7)
               Ms H Bygrave (Audit Partner, Deloitte) (Until item 7)

With: Mr J Ackroyd (Governance Officer)

1. MEMBERSHIP

1.1 The revised Terms of Reference for the Committee were considered and AGREED: for recommendation for approval by Council, subject to the following amendments:

- Item 2: remove “if necessary”
- Item 5: replace “agree” with “to”
- Item 6: remove in its entirety
- Item 15: Insert additional element in recognition of the Committee’s data quality assurance responsibilities.
- Devolved powers: replace “assistance with” with “advise to assist”
- Note 1: Amend to include aspect of Financial and Legal expertise in Committee membership.

2. MINUTES

The Minutes of the last meeting held on 3 July 2009 (M 09/48 – M 09/92), which had been circulated by email were confirmed and signed.
3.  MATTERS ARISING FROM THE MINUTES

3.1  Equal Opportunities

Arising from M09/84, the Committee received confirmation that the issue of securing compliance with its requirement to provide Equality & Diversity training to all employees was to be considered under a formal proposal put to the Human Resources & Equal Opportunities Committee. An update was to be provided to the Audit & Compliance Committee once available.

3.2  Christopher Jacobs

Arising from minute M 09/54, an update was required from Mr Buswell. The Governance Officer was to obtain this from Mr. Buswell and circulate to members.

4.  ANNUAL ACCOUNTS AND FINANCIAL STATEMENTS

The Committee considered the Annual Accounts and Financial Statements for 2008-09 which had been approved by the Finance Committee on 28 October 2009. The Committee, following discussions with Deloitte minuted at item 6 below

APPROVED: The Consolidated Annual Accounts & Financial Statements (ACC/09/28A) and the Royal Holloway Enterprise Ltd Accounts (ACC/09/28B), noting the following observations:

- The consolidated Annual Accounts & Financial Statements had been scrutinised by Deloitte’s Technical Advisory Group, the Acting Principal, Chair of the Finance Committee and Chair of the Audit & Compliance Committee with several cosmetic changes incorporated into the final revision prior to presentation to the Committee.

- A profit was noted as having been retained in a subsidiary within the accounts for Royal Holloway Enterprise Ltd. The Assistant Director of Finance affirmed that external advice had been sought from KMPG tax group confirming that a profit of 10-15% should be retained on the balance sheet in case of a future drop in business.

The Committee noted the Income & Expenditure Account of the Founder's Endowment Fund for the year ended 31 July 2009.

5.  INVESTMENT MANAGERS’ CONTROL REPORTS

5.1  The Committee received the Investment Manager’s Control Report from Aberdeen Asset Management which had been considered during the meeting of the Investment Sub-Committee held on 28 October 2009. It was noted that the reports raised a number of issues in determining the responsibilities of the Investment Sub-Committee and the Audit & Compliance Committee. A meeting was to be arranged with PriceWaterhouseCoopers prior to the next meeting of the Committee, in order to ascertain the College’s position vis-à-vis the reports and how to act upon these once received.
5.2 The Committee noted that an Investment Managers’ Control Report had been requested from Kleinwort Benson, but had not yet been commissioned by the Investment Manager. The situation will be considered at the next meeting following discussions by the Chair of the Investment-sub Committee with Kleinwort Benson.

6. EXTERNAL AUDIT MATTERS

The Committee received the External Auditors’ Summary Report including Deloitte’s Management letter and Letter of Representation (ACC/09/31). The Committee’s discussions focussed on the Executive Summary contained within the document and the External Auditors were present at the meeting to provide clarification where required. The summary identified a number of one off costs relating to the merger and the consolidation of RHSG and it was

AGREED: by the External Auditors that it was not in their view necessary to consolidate RHSG on a line by line basis and they agreed that the word "difference" used in item 1 of their Executive Summary, relating to this matter, was not a difference but a matter of specific consideration.

Regarding the Management and Quality of Data issues identified in item 2, the Chair requested that the Internal Auditor examined and implemented the best practice controls identified within section 5 of the report.

The non-recurring charges for the year ended 31 July 2009, identified by Deloitte in Section 2 of their report were discussed with the External Auditors. Deloitte were asked to confirm that adequate disclosure of these items had, in their view, been made in the financial statements and they gave this assurance.

The Committee discussed the control observations contained within section 5 of the report and concluded that the Committee should request the Finance Committee to consider its response for not providing quarterly balance sheets.

The Committee considered the External Auditors’ Letter of Representation contained within appendix 2 of the report and recommended that it should proceed to signature, subject to the following amendments:

- Item 1 Amend “minutes of Board of Council” to “minutes of Council”
- Item 16 Delete in its entirety
- Item 21 Insert “known” after “all”

7. INTERNAL AUDIT MATTERS

7.1 The Committee received the Internal Auditor’s Annual Report for 2008-09 (ACC/09/32) and noted that all planned audit work for 2008-09 had been completed. The Committee requested that the Annual Report be amended as follows:

- Item 2.4 Delete final sentence
- Item 3.1 Amend wording so as not to refer to the Operational report.
- Item 6.1 Regarding Risk Management, amend to present tense in the penultimate sentence of the paragraph.
7.2 The Committee received the Internal Auditor’s Operational Report (ACC/09/33) and received an oral commentary from the Internal Auditor. Several audit reports had taken longer than the required 8 weeks to finalise, although it was identified that this was due to College staff having been involved in merger activities which had impeded their ability to concentrate on other work. The Internal Auditor confirmed that a framework was in place to achieve the 8 week deadline during the 2009-10 audit cycle and that all planned coverage should be achieved.

The Committee reviewed the appendices to the report which contained the internal audit plan for 2009-10 and the outstanding actions from previous reports. The Committee requested that the two fundamental weaknesses which were identified in the Energy Management report; these being the recruitment of an Energy Manager and the development of an estates strategy, should be now be considered overdue. The Chair requested that these items should be referred to the Estates Committee in order to consider the reason for delay. The Committee noted that all fundamental weaknesses should be resolved within 3 months of the Audit report production in which they are identified.

8 HEFCE MATTERS

8.1 The Committee received the Internal Audit report on Management and Quality Assurance of data submitted to HEFCE, together with a response to the report issued by the Academic Registrar (ACC/09/34a). The Internal Auditor confirmed that the control recommendations for this area are covered within the response. The Committee noted that it was likely that the College would be audited in this area as part of the 2010-11 external audit cycle.

8.2 The Committee noted the Annual Assurance Return to HEFCE (ACC/09/34b) and confirmed that the responses contained therein were adequate.

9 ANNUAL REPORT TO THE COUNCIL

The Committee considered a draft of the Committee’s Annual Report to the Council (ACC/09/35) and

AGREED the report, subject to the following amendments:

- In Paragraph 2, remove “more detailed” from the first sentence and replace “agreed” with “considered” in the fourth sentence.

- Insert new paragraph 7 to read “During the year the Committee drew to the attention of management and Council its concern over the timeliness of dealing with agreed fundamental control weaknesses. The Committee is now satisfied that adequate action has been taken by management”.

- Insert sentence at end of new paragraph 8 to read “Monitoring of additional initiatives, previously developed on an on-going basis as value for money projects were discontinued during the year and are now covered in the Planning for Change project”.
• In Paragraph 9, amend second sentence to read “The first project “IDEA” focused on areas where the College might have been able to achieve greater value for money and the initial results of this project have been rolled over in to the second project “Planning for Change” which is ongoing and is designed to make savings in excess of £6m per annum by 2010/11”.

• In paragraph 14, amend first sentence to read “In November the Committee considered the 31 July 2009 Annual Accounts & Financial Statements including those of Royal Holloway Enterprise Ltd and the income & expenditure report of the Founder’s Endowment Fund.”

• Remove paragraph 17.

10 COMPLIANCE

10.1 Risk Management

10.1.1 The Committee received an oral update on Risk Management issues from the College Secretary which highlighted the significant progress made on issues of Risk Management within the College which included an updated Major Incident Management Plan. The Committee discussed the need for quantifying the cost of the highest cost incident which would form the basis for the College’s Business interruption insurance cover.

10.1.2 The Committee received the unconfirmed minutes of the Risk Management Meeting held on 9 October 2009 (ACC/09/36).

10.2 Health & Safety

The Committee received the unconfirmed minutes of the meeting of the Health & Safety Committee held on 8 October 2009 (ACC/09/37). The Committee considered the refusal for funding for a defibrillator unit and associated training noted in M09/90. The Committee requested that the Health & Safety Committee consider whether such equipment was essential during the next meeting of that committee.

10.3 Ethics

10.3.1 The Committee noted that the minutes of the Research Ethics Committee held on 6 October 2009 would be provided during the February meeting of the Committee.

10.3.2 The Committee received the Ethics Annual report covering the period from 1 August 2008 – 31 July 2009 (ACC/09/39). A member of the Research Ethics Committee attended the meeting and provided an outline of that Committee’s duties which comprised of monitoring the work undertaken in the College involving human participants. The turnaround time for approval of applications for research involving human participants was discussed, noting the importance of research in the College’s agenda. In particular, the Committee noted recent staff changes as a reason for the delay in approving applications and the controls in place to ensure that funds for research would not be released until that Committee had approved an application to undertake controlled research.
11 COMMUNICATION

11.1 The Committee did not agree any items for broad dissemination throughout the College at this time. 09/118

11.2 The Committee did not agree any items which should not be published automatically under the Freedom of Information Act. 09/119

12 DATE OF NEXT MEETING

The Committee noted that the dates for subsequent meetings in 2009/10 would be Friday, 26 February 2010 at 10am and Friday, 2 July 2010 at 10am. 09/120

13 ANY OTHER BUSINESS

The Committee did not discuss any other items of business during the meeting. 09/121

James Ackroyd
Governance Officer
5th January 2010