1. MINUTES
CONFIRMED and signed the minutes of the last meeting held on 4 November 2014 (M14/60-M14/105).

2. MATTERS ARISING FROM THE MINUTES
NOTED that minutes from the Debt Fundraising Oversight Group were circulated to the Committee on 11 November 2014 (DFOG14/09 – 14/20), 20 January 2015 (DFOG 14/21 – 14/31) and 5 February 2015 (DFOG 14/32 – 14/45).

RECEIVED and confirmed the proposed wording of the paragraph outlining the role of the Audit and Compliance Committee to be added to section 4.2 of the Risk Management Policy (ACC/15/02).

RECEIVED a verbal update regarding the response to the identified deficiencies in the External Audit Management letter (see M14/73). The recommendations regarding Agresso user rights and accounts had been implemented, and going forwards a periodic review of users accounts was scheduled at intervals of 6 months.

RECEIVED a verbal update regarding the progress of the action to produce in-year balance sheets with the management accounts (see M14/72). It was noted that this was being carried out for the half-year to the end of January 2015 and should be completed in February. The process would need to be refined in future cycles. The Committee was advised that it was intended to do this for the second and third quarters. The feasibility of preparing a quarter one balance sheet would be reviewed in the light of how well the year end and start of the new financial year actions had progressed. Management acknowledged that it would be useful to have a quarter one balance sheet in order to have accurate information to support decision making, but not at the risk of causing undue strain on finance staff or diverting effort from more essential business.

AGREED the Committee would receive an update before the next meeting to confirm that the half-yearly balance sheets had been issued.

NOTED that the recommendations regarding third party supply risk outlined in the external audit
3. REVISED CUC HIGHER EDUCATION CODE OF GOVERNANCE

RECEIVED a briefing regarding the College’s compliance with the revised code (ACC/15/05). The Committee discussed the implications of the timing of the Code which became effective immediately following its publication in December 2014, five months into the financial year. It was noted that there had been little guidance about how this would be handled by HEFCE, but it was hoped that the Committee and Council would be required to report assurance against the old code until December 2014 and to “apply or explain” compliance with the new code from December onwards. The College was compliant with the College code, but would need to evolve some processes if it wished to apply the code fully. These key decisions would be presented to Council Executive for their direction.

AGREED that the Committee would retain oversight of compliance with the Code and would receive an update at the next meeting.

4. COMPLIANCE

Research Ethics Committee

RECEIVED the Annual Report from the Research Ethics Committee (ACC/15/03) and the final structure of the Revised Research Ethics Approval Framework (ACC/15/04). The discussion focused on the procedures regarding ethics approval for research projects, which had absorbed the majority of the Committee’s time over the past year. The current procedures were known not to be fit for purpose because they did not meet the requirements of the research funding councils and groups. It was explained that the procedures were compliant and worked well in those academic departments which regularly undertook research with high profile research ethics, for example, Psychology and Biological Sciences. These would be allowed to continue their devolved processes, which have higher requirements than that required by other disciplines. The new procedures were designed to capture the disciplines which did not traditionally recognise that their activities were subject to ethical review, especially in terms of their impact on society rather than research participants. This wider consideration was required by the funding councils but was not addressed in the current College forms. The new procedure was designed to make it clear that everybody was subject to ethical review, regardless of whether their research involved participants.

DISCUSSED the delay in implementation of the new procedures, given that the Committee had understood they would be operational by now. The new procedures were waiting to be implemented by IT as they had been designed to be delivered online. It was noted that this was a relatively small piece of high priority work. The Committee considered whether the new process could be implemented manually in the meantime, and whether the College should begin raising awareness about the new procedures now to increase take-up when the procedure was online. Plans had been made for the communication of the new procedures, but it was felt that it would be too confusing to implement the communication plan now given the substantial differences between the current and new procedures. It was noted that an online system would allow ethics applications to be monitored more closely than with paper, and followed up where appropriate. Most ethics applications were for unfunded research, such as PhD research, which had fewer ‘red flags’ than funded research. The intention was to audit the new system, a vital process given that the system relies on fundamental self-certification element. The Committee recognised that the new procedures could not guarantee that it would prevent people doing unethical research, but it would raise awareness of research ethics issues in all disciplines and would reduce the risk of embarrassment to the College. The Research Ethics Committee anticipated a substantial increase in the number of ethics applications using the new system.

AGREED that the new procedures would be prioritised and the Committee gave a 2 month
deadline. It was suggested that the paragraph on the Research Ethics Form which began “You are completing this form because the self-assessment has identified your research project as involving potential ethical issues...” should be highlighted in red bold text.

5. **INTERNAL AUDIT**

RECEIVED the Internal Audit Manager’s Report (ACC/15/06). The Committee noted that the internal Audit Plan was on schedule, that there were four follow-up audits planned by the Internal Audit Manager. Given the strategic importance of the Student Experience, the Committee asked what the College needed to be doing to improve the recent audit rating of “reasonable” to “good”. It was agreed that the College was moving in the right direction, and needed to apply the recommendations and continue to develop in this area.

DISCUSSED the two fraud cases. The Committee received an update on the case involving payments to an uncorroborated company who had invoiced for building works on campus. The staff member concerned had been dismissed on the grounds of breaching health and safety procedures, particularly concerning work at height. It had been hard to establish whether some of the routine work that is repeated throughout the year had been completed. Other work was easier to evidence, and the College had commissioned a surveyor to establish the likelihood of whether this work had been completed. The member of staff had appealed the decision of the hearing, so the case was still ongoing. This limited the work the College could do to review current practices in the Department and more widely across the College. It was noted that the introduction of the Agresso system had already formalised many controls which made it harder for a similar case to reoccur. The Committee discussed the possibilities offered by the use of data analytics to highlight instances where control levels are manipulated. The second fraud case was a far simpler case regarding controls around the cashing up process in retail outlets. The Committee considered what had been learnt from the two cases and whether there any immediate actions that should be implemented across the College.

AGREED that basic procurement controls would be added to the scope of the departmental health check audits.

RECEIVED a report from Deloitte regarding Internal Audit Progress, including an update on the Internal Audit Maturity Assessment and two final Internal Audit Reports (ACC/15/07). The Committee discussed the additional twenty audit days requested. It was noted that the update of the Internal Audit Maturity Assessment had highlighted the need to engage with executive management periodically to facilitate two way feedback on the Internal Audit work and process. The service provided by Deloitte would be reviewed next year by a partner independent from the College, and the Committee would be notified of the result.

DISCUSSED in turn the two final Internal Audit reports which had an assurance rating of “limited”. It was recognised that College management and Deloitte did not agree on the assurance level and that there was some disagreement about definitions which had made some of the dialogue difficult. The fundamental recommendation included in the General Ledger report concerning the BACS file had already been implemented. Deloitte recognised that the people involved in the General Ledger processes were very good and experienced, but that the documented processes themselves needed to be good. The internal audit itself had been scheduled close to the completion of the External Audit, and some of the same External Audit recommendations that had been agreed and implemented following the year end audit had not yet fully taken effect by the time of the internal audit.

AGREED that Deloitte would revisit the audit after July and would provide a direction of travel audit opinion once the report recommendations had had an opportunity to become established.
NOTED that the Capital Projects report reflected the position at a set point in mid-2013 and that there had been considerable changes since. However, it was recognised that there was more work to be done and the recommendations in the report were being addressed. The Committee expressed concerns that resources were not sufficient given the current activity surrounding the estates masterplan and the expected procurement activity. College management acknowledged that the report highlighted the enormous pressure of the work programme which was exacerbated because project managers were assigned to key roles on multiple project teams. Areas of risk were discussed, including the potential for exploitation by contractors if the tender evaluation process did not have the correct weighting. The Committee recognised the ambition of the capital programme, but were concerned about the current ability to deliver it.

AGREED that in recognition of the risk profile of the scheduled work programme and because some Council members were members of a project team the report and concerns would be highlighted to Council alongside an action plan to address the concerns. The urgency to appoint experienced project managers was emphasised.

CONSIDERED the draft Internal Audit Charter (ACC/15/08). The Committee noted that the Charter was lengthy because it included public sector requirements not specific to higher education.

REQUIRED three amendments to the Charter:
1. To include a direct reporting line to the Committee
2. To include or consider fraud risk as part of the internal audit activities.
3. To separate operations and programmes in recognition of the difference between design and operating effectiveness.

6. FINANCIAL MATTERS
RECEIVED updates on the implementation of FRS102 and the USS pension deficit (ACC/15/09). It was noted that BDO will review the July 2014 balance sheet, restated from the UK GAAP basis to FRS 102 requirements, at the end of March 2015. It is anticipated that there will be some queries raised as a result of the review, for example holiday accrual and that some work would still be in progress, for example the potential revaluation of land and buildings. A further update would be provided to the Committee in July.

NOTED that both the USS and SAUL pension schemes were reporting a deficit based on past service commitments. Reforms had been agreed for USS, although there remained a degree of uncertainty given that the pensions regulator had yet to agree the recovery plan and its timescale. The Committee noted that the situation was a worry for the sector, and they remained concerned that about the potential increases in employer contributions and the cash flow implications.

7. HEFCE ANNUAL ASSURANCE
NOTED that following the Council meeting on 18th November 2014 the approved paperwork for the Annual HEFCE Return was submitted on 1 December 2014 and received a copy of the submitted Annex E document (ACC/15/10).

NOTED that the Committee confirmed compliance with TRAC (Transparent Approach to Costing) requirements by circulation on 21 January 2015 (ACC/15/01).

8. DATE OF THE NEXT MEETING
27 July 2015 at 10 am in the Principal’s Meeting Room.

9. DATES OF FUTURE MEETINGS
2015 – 2016
2 November 2015, 10am

2016 – 2017
7 November 2016, 11am

2017 – 2018
16 November 2017, 11am
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