AUDIT & COMPLIANCE COMMITTEE

Minutes of the Twenty-Fourth meeting of the Audit & Compliance Committee held on 12 February 2013

Present: Mr D Spence (Chair)
Mr M Newlands
Ms C Wilson

Apologies: Mr S Cooksey
Mr J Aston (BDO Partner)

In Attendance: Professor P Layzell (Principal)
Mr S Higman (Secretary and Registrar)
Mr G Robinson (Director of Finance)
Mrs J Febry (Deputy Director of Finance)
Mrs K Trinder (Internal Audit Manager)
Mr A Lees (Grant Thornton Partner) (not for items 6.1 or 6.2)
Professor B O’Keefe (Project Chair) (until item 3.1)
Professor J Zanker (Research Ethics Committee)(item 4.1)
Mr M MacDonald (Head of Procurement)(item 6.2)
Ms S Fielding (Procurement Manager)(item 6.2)
Mrs L Gibbs (Deputy Registrar and CIO)(item 7)
Mrs R Knight (Deputy College Secretary) (Secretary)
Mrs H Baker (Governance Assistant) (Notes and Actions)
1. **MEMBERSHIP & TERMS OF REFERENCE**

   The Committee reviewed the Terms of Reference. The Committee noted advice from the External Auditors (BDO) received by the Chair in advance of the meeting and

   APPROVED

   The terms of reference subject to the following amendments:

   The attendance of the Principal to be redefined ‘As required’.

   Section 14 – to amend the term “Designated Officer” to “Accountable officer” to reflect the change in the HEFCE Financial Memorandum.

2. **MINUTES**

   The Committee confirmed the minutes of the meeting held on 8 November 2012 (M12/85 – M12/127).

   The minutes were signed by the Chair.

3. **MATTERS ARISING**

   3.1 The Committee received an update from the Chair of the Finance Project regarding the progress of the new finance system (ACC/13/01). It was noted that following feedback from the Committee in November 2012 the go / no-go decision date had been formalised and would be taken in May 2013 (M12/91), and that this had been communicated to the Committee by circulation on 21 December 2012. The project continued to progress according to the plan and the status remained as ‘green’. Changes in project staff were reported to have caused limited disruption to the project, and the Committee were assured that the College was satisfied that the revised team was experienced and provided appropriate support.

   It was noted that further progress had been made since paper ACC/13/01 had been submitted to the Committee. The Solution Design Document had been signed off by the Project Board. Internal controls such as authorisation levels were included within the workflow. It was noted that the Internal Audit programme did not specify whether the audit of the project would consider the design controls or the project governance framework, but the scope of this audit would be discussed with the Internal Auditors.

   The Committee discussed the risks associated with procuring two third parties during the ‘Build Phase’ which had begun on schedule. The risk of conflict arising between the two third parties was assessed as low on the project risk register, particularly because the two companies had experience working together in HEIs and other environments, and because the technology has been used successfully in other institutions. The Committee received confirmation that May project board would consider whether the new system would go live as communicated by email on 21 December 2012. The Committee received assurance from management that there were plans in...
place should the decision be that the launch of the system be delayed.

3.2 The Committee received an oral update from the Secretary and Registrar regarding the Council Effectiveness Review. It was noted that an extensive benchmarking exercise had been completed and that the Project Board would consider the proposed recommendations. Council Executive and Council would receive reports at their subsequent meetings. The benchmarking had showed that a number of institutions were experiencing similar issues to which there was no clear ‘perfect’ solution. The project scope had been widened to include Academic Board in recognition of its key governance role.

3.3 The Committee received confirmation that the College had not appointed an external auditor to complete the research grant audits (M12/104) because to date no research thresholds had been reached.

4. COMPLIANCE

4.1 Research Ethics Committee

The Committee noted that although Professor Zanker was a Council member he was attending this item as a representative of the Research Ethics Committee.

The Committee received the Annual Report from the Ethics Committee, which was presented by Professor Zanker (ACC/13/02). It was noted that it had been a quiet year for the Committee, but that there had been a welcome increase in the number of applications from the Faculty of Arts and Social Science. This was attributed to improved awareness of Ethics matters, particularly Data Protection and data privacy. The Committee discussed some of the key issues relating to the handling of personal data, including data destruction, storage, and consent required from research participants.

The Committee received a summary of the approval process. It was explained that no application had been fully rejected because it was a co-operative process that sought to ensure ethics considerations have been fully explored and where appropriate measures put in place. Research Ethics Committee members provided a breadth of skills to ensure applications were fully assessed and that risk of non-compliance was low. Concern was expressed by the Committee that four of the nine applications were approved by Chair’s action rather than by the full Research Ethics Committee. It was confirmed that the full research ethics committee received the applications by circulation, and Chairs action was only used to approve applications if there were no comments or questions from colleagues.

It was noted that the Research Ethics Committee planned to review the Research Ethic policies in the coming year.

The Committee thanked Professor Zanker for attending.
4.2 Fraud Register

The Committee received a report regarding the investigation into an entry in the fraud register (M12/123). It was noted that the fraud could not be confirmed and that whilst the UCAS application and bursary application were inconsistent, the third party referee supported the personal circumstances described in the bursary application. The Student Loans Company (SLC) assess applications based on the household income figure given in relation to the previous tax year and that up to ten months would have passed before the UCAS application was made, in which time personal circumstances could dramatically change. It was not possible for the College to verify the income of students, so it relied on the SLC to provide this information. Therefore the College accepted the variations between historical records and current circumstances. A hardship fund was available to allow students to complete their studies in special circumstances.

A number of College departments awarded bursaries and it was expected that the widening participation agenda would increase their use. Work was underway to identify common standards in bursary administration and to ensure that they were subject to appropriate central oversight. This would include clear communication to applicants that the College would investigate suspected fraudulent submissions. The Committee

APPROVED

The recommendation to remove the relevant entry from the fraud register.

5. INTERNAL AUDIT REPORTING

5.1 The Committee received the Internal Audit Manager’s Report (ACC/13/04) and noted that the paper included the HEFCE report of the audit of the Key information Set (KIS) as requested by HEFCE.

A number of audits outstanding from the 2011-12 audit plan had progressed since the last meeting. Responses had been received for the Review of policies, practices and controls over complying with the obligations under the HEFCE Financial Memorandum, and it was made clear that although the Equality Officer post remained vacant the College remained compliant with the requirements of the Equality Act. Recruitment for a full time Equality Officer was underway and an appointment was expected in March 2013.

The Committee identified common issues in the two further audit reports which remained outstanding from the 2011-12 audit plan and a number of outstanding audit recommendations from the 2009-10 audit plan. Long term staff absences in one particular department had resulted in either non-receipt of management responses or no implementation of agreed recommendations. Concern was expressed that sufficient cover arrangements were not being arranged and that the relevant functions were not performing as they should. The problem was recognised by the College and the Committee received assurance that the functions were not neglected, but it was acknowledged they were not as robust as they should be. It was noted that the functions concerned
were specialist areas and that the situation was now being managed, partly with an ongoing review process and the use of contingency funds.

The HEFCE KIS audit listed no significant recommendations but did require an action plan to be circulated to the Committee before submission to HEFCE by 1st March.

It was noted that a number of outstanding audit recommendations had been completed. The Committee discussed those that were over a year outstanding and asked the College to comment. It was recognised that there were potential challenges and resource requirements to fully satisfy the outstanding recommendation made by the Environmental Sustainability audit regarding capturing scope 3 carbon emission data. The Committee received reassurance that the importance of audit recommendations had been made clear to all Heads of Departments and Services. It was expected that Grant Thornton would report any persistent disagreement to the Committee.

The Committee were alerted to a current investigation into potential fraudulent activity. A College library book had been sold by a College alumnus via Amazon to a member of the public, who had reported the matter to the College. The book had been listed as missing in the library catalogue but had since been returned to the library by the purchaser.

It was

AGREED

That the Committee would receive a copy of the KIS action plan for comment before it was submitted to HEFCE.

That HEFCE guidance about measuring scope 3 carbon data emissions would be considered alongside the specifications of the new finance system.

The College management would consider returning the former College library book to the purchaser or providing some other form of compensation.

Investigations into the vendor would continue and appropriate action taken.

5.2 The Committee received a report from Grant Thornton (ACC/13/05). The UKBA (Compliance with College Procedures) audit had been completed and a final report issued. Grant Thornton highlighted two key findings, one of which was rated 'high' because it related to student documentation. Many institutions tested 100% of their documents to provide strong management controls. Although College had recently improved the quality of its documentation and procedures further improvement was required because spontaneous UKBA audits could be aggressive. The Committee received assurance that the remaining 'medium' recommendation related to maternity cover for the officer responsible for UKBA Tier 4 compliance had already been considered.

Grant Thornton reported the draft findings from the Estates Strategy audit. The Estates Strategy is central to the College Strategy which is currently
being developed and the two needed to be aligned. The draft findings highlighted that the planned maintenance schedule did not feed into a rolling operational programme encompassing the whole of the College's estate. The importance of estate maintenance was recognised, particularly in relation to the effect on the student experience. Work was under way to review College spend on estate maintenance against the spend of other HEIs and sector guidance.

The last complete survey of the condition of the College estate was completed in 2005. Since then partial surveys have been completed, most recently in 2010. The next comprehensive survey, to include both academic state and accommodation, was scheduled for 2013-14. Work was also ongoing to develop a maintenance plan for buildings not included in the capital plan with the aim of improving building grades to enhance the student and staff experience.

Grant Thornton updated the Committee on the fieldwork for the *Value for Money* audit which was under way. The College lacked a framework within which value for money should be pursued and significant work was required to embed the framework in management psyche. Management recognised that the framework was needed to increase transparency to the Committee and Council, but emphasized that in order for a framework to be successful it should be meaningful and understood that value for money could include either savings and / or the delivery of additional benefits.

The Committee received the draft internal audit plan (ACC/13/05 Appendix A). The plan was based on sector concerns and College activity. It was noted that few audit topics had been carried forwards from the proposed 2012-13 plan because they had not been aligned with College strategy or the Risk Register. The plan had been informed by meetings between Grant Thornton and College managers which identified emerging issues and related to all the significant risks included on the Principal Risk Register. The plan structure had been based on the assurance required at the end of the audit year. The Committee discussed the plan, including the audits that had been omitted, and considered the phasing of the agreed audits. Concern was expressed that the fieldwork would clash with other audits. It was noted that the fieldwork was planned to be completed by September 2013 and it was likely that both Internal and External Audit reports would be considered at the November meeting.

It was

AGREED

That the final Estates plan would be circulated to the Committee before the next meeting.

That Grant Thornton and the Internal Audit Manager would discuss a rating system that would recognise the different parameters they were measuring but would avoid confusion between the two similar systems.
That the Committee would receive internal audit summaries for the following audits at, or by circulation before, the July meeting: Estates Strategy, VfM Arrangements, Corporate Governance, Risk Management Framework, REF Preparedness, Key Financial Controls (including finance project) and IT Implementation Review. The remaining internal audit summaries would be circulated at, or before, the November Committee meeting; Student Recruitment, Financial Planning and Monitoring, Student Experience, Marketing, Procurement, and Data Integrity. The Committee hoped that this would provide them with assurance about the new arrangements.

6. INTERNAL AUDIT MATTERS

6.1 The Committee noted that HEFCE had acknowledged the notification of the change in Internal audit provision on 11 January 2013 and agreed to accept the Internal Audit Annual Report as the statement to Council from the outgoing Head of Internal Audits in accordance with section 52 of the HEFCE Financial Memorandum. The Secretary and Registrar would contact the outgoing Head of Internal Audit to seek written confirmation.

6.2 The Committee received the draft procurement proposal for Internal Audit provision for 2013-14 onwards (ACC/13/06). It was recognised that external provision would cost more than an in-house service, but that the College would receive assurance from the breadth of skills an external service would bring. Although the College thought 120 days of internal audit provision would be required, the average number of days across the sector was 133 and appropriate flexibility would need to be built into the arrangement so that College could buy more audit days if required. The Committee discussed the proposed timetable and appropriate involvement of Committee members, particularly during the evaluation process. Potential conflicts of interest were noted and both the College and the Committee were keen to ensure the risk of challenge was as low as possible. It was agreed that the Committee would remain involved in all stages of the tender process, but that once the Invitation to Tender documentation had been issued only those members who had no potential conflict of interest would participate in the evaluation process.

That a tentative presentation date would be arranged for June 2013.

7. EXTERNAL AUDIT MATTERS

The Committee received a report from the College Management team regarding the issues raised in the 2012 External Audit Management letter (ACC/13/07). It was noted that the quarterly balance sheets recommendation
would be addressed with the implementation of the new finance system. The responses to the IT recommendations were considered. It was noted that historically the College had not undertaken regular security penetration testing because the risk did not justify the high cost, but the College had identified a more affordable option and an initial run had not identified any systematic issues. Tests would be completed monthly.

The password policy had been implemented where possible, but implementation varied between systems. The College had certain controls in place that could help defend against external attacks on existing systems but there was a risk that attacks by individuals on some systems would go unnoticed. New systems, including Agresso, would comply with the policy, but it was estimated that it would cost between £30 and 50k to fully implement the policy across all IT systems. This cost was judged to be too high when measured against the risk of undetected attacks. The Committee expressed concern that unprotected systems and the residual risk had not been documented and fully assessed. It was

AGREED

That a written assessment of unprotected systems and risks would be provided to the Committee to demonstrate that the decision not to implement the password policy against all systems had been fully assessed.

8. FINANCIAL MATTERS

The Committee noted that compliance with Transparent Approach to Costing was confirmed by circulation on 14 January 2013. The Committee received assurance that the return was submitted before the deadline.

9. VALUE FOR MONEY

The Committee received a report about recent Value for Money activity in the College (ACC/13/08). The Committee were satisfied that matters raised had already been dealt with sufficiently during the meeting. Grant Thornton confirmed that they were satisfied.

10. MAJOR INCIDENT MANAGEMENT PLANNING (MIMP)

The Committee received an update on arrangements for major incident planning (ACC/13/09). Hosting an Olympic village had demonstrated the importance of a well communicated MIMP and work was ongoing to develop the plan that had been implemented during the Olympic period. The revised plan would include training for primary and secondary responders and incorporate a crisis communication plan. The Committee discussed the importance of ensuring the right people with appropriate skills and clear authority were identified and familiar with the MIMP. It was

AGREED

That the Committee would be provided with further detail and documents at the November meeting.
11. COMMUNICATION

The Committee requested that details of the new finance system would be communicated broadly throughout the College. It was noted that this was already under way and incorporated in the College plan.

12. DATES OF NEXT MEETING

The next meeting will be Thursday 25th July 2013 at 10am in the PMR

Future dates for 2013 were confirmed as:

7th November 2013 at 10.00 am
11th February 2014 at 10.00 am
24th July 2014 at 10.00 am