Royal Holloway  
University of London  

AUDIT & COMPLIANCE COMMITTEE

Minutes of the Twenty-Fifth meeting of the Audit & Compliance Committee held on 25th July 2013

Present:  
Mr D Spence (Chair)  
Mr M Newlands  

Apologies:  
Mrs C Wilson  
Professor P Layzell (Principal)  

In Attendance:  
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 V Sharma (Internal Audit Manager, Grant Thornton) (until item 5.3)  
Mr D Sloan (Grant Thornton) (until item 5.3)  
Mr T Whitfield (Grant Thornton) (until item 5.3)  
Mr R Evans (Deloittes) (Item 6 onwards)  
Mr J Aston (BDO Partner)  
Professor B O’Keefe (Project Chair) (Until item 3.1)  
Mrs R Knight (Deputy College Secretary) (Secretary)  
Mrs H Baker (Governance Assistant) (Notes and actions)
1. **MEMBERSHIP & TERMS OF REFERENCE**

   NOTED that Stephen Cooksey's term of office on Council ended on 30th June 2013. Another lay member had been approached and was expected to be appointed to the Committee before the next meeting in November 2013.

2. **MINUTES**

   NOTED that the minutes of the last meeting held on 12 February 2013 (M13/01 - M13/35) were confirmed by circulation on 13 March 2013.

3. **MATTERS ARISING**

   3.1 NOTED that the Committee received an update about the finance system progress on 6th June 2013 (ACC/13/10) and RECEIVED an update on the finance system (ACC/13/13).

       The Project Board met on Wednesday 24th July 2013 and approved the comprehensive sign-off list; the system was scheduled to go live as planned on 1st August 2013. The control issues referred to in the Grant Thornton report had been considered by the board, and they were satisfied that the risks had been considered and appropriate contingencies were in place. One key issue remained, which related to the delay in completion of the interface between the finance system and the student portal. The Committee discussed this risk and were satisfied that that the problem related to the presentation of information outside the finance system rather than a process within it, and therefore would not impact on the Go Live decision.

       It was acknowledged that the project team had worked well to deliver the project within the tight time scale. The project would continue until the end of December 2013.

   3.2 NOTED that the Committee received a copy of the Key Information Set action plan on 26th February 2013, and on 4th March College received a letter of closure from HEFCE which stated that they were satisfied with the action plan.

   3.3 RECEIVED a written assessment from Information Services regarding the decision not to implement the password policy (ACC/13/12).

       NOTED that the document provided detailed assurance that the implementation of a password policy on all systems had been fully documented and assessed in response to the recommendations made in the 2012 External Audit Management letter. BDO provided some comments on the Password Policy which would be communicated to the IT service.

   3.4 RECEIVED an oral update from the Secretary and Registrar regarding the Council Effectiveness Review.

       The Committee received assurance that the Review had followed the guidance produced by the Committee of University Chairs and had examined how well Council functioned, including whether meetings allowed sufficient discussion and whether information was appropriately presented. The Project Board had agreed that the College Statutes needed to be looked at in depth to support the outcomes of the Effectiveness Review. The Statutes were subject to Privy Council approval, which required consultation. This was currently ongoing and the College had engaged legal advice to support the process.

   3.5 No further matters were arising from the minutes.
4. COMPLIANCE

4.1 Research Ethics Committee

RECEIVED a summary of the meeting held on 5th February 2013 (ACC/13/14).

DISCUSSED the ethical issues related to each project, and noted that these were not clear from the summary.

4.2 Fraud register

RECEIVED a fraud investigation report regarding a student who had provided a fraudulent A level certificate in order to gain entry to the College (ACC/13/25).

The student had entered through clearing and had received an 'AAB' bursary of £1000. The students' registration had been terminated for non-payment of fees. It had been noted that some original paperwork produced by students who entered through clearing was not checked, and the College was currently exploring a requirement for all clearing students to produce their original certificates before the commencement of their studies.

NOTED that the decision to prosecute the student had been referred to the AQA (Assessment and Qualifications Alliance). The Committee received a summary of all the circumstances surrounding this student, which were discussed in relation to the risk register.

REQUIRED the Internal Audit Manager to update the Committee on the implementation of the recommendations at the next meeting in November.

4.3 Data protection breach

RECEIVED a report about a data protection breach which had been reported to the Information Commissioner's Office (ACC/13/16).

The breach had occurred after papers regarding three student disciplinary matters were accidentally sent to the wrong recipients. Two of the three papers had been recovered unopened, and the Information Commissioner's Office was satisfied with the measures the College had taken both to contain the breach and to prevent a similar incident in the future.

5. INTERNAL AUDIT REPORTING

5.1 RECEIVED the Internal Audit Manager's Report (ACC/13/17).

The Internal Audit Manager highlighted key issues in the report. The final audit from the 2011 - 2012 audit plan had been issued for management response. It had been delayed by a combination of factors, including annual leave. The audit related to the period prior to the introduction of the College Project Governance Framework, which had resolved the recommendations related to project schedules and timing.

The Committee welcomed the reduction in the number of outstanding recommendations and NOTED the new colour scoring which reported all amber and red recommendations made by Grant Thornton as significant. The Committee were encouraged that management responses were much improved.

NOTED that it was not feasible to introduce detailed financial account codes to assist with the reporting of Scope 3 carbon emissions, but that the College had appointed a consultant.
to consider other ways to achieve detailed reporting (M13/20)

NOTED that the fraud related to the library book sale (M13/20) had been resolved by Amazon and the book had been returned to the College.

5.2 NOTED that the Committee received an interim update from Grant Thornton by circulation on 21st June 2013 (ACC/13/11) regarding the status of audits completed and currently underway.

5.3 RECEIVED a report from Grant Thornton, the Internal Auditors 2012-13 (ACC/13/18).

The report included the following audit summaries: Estates Framework, Corporate Governance, Finance System Project Management, Value for Money Arrangements, Procurement, Key Financial controls Summary Update.

NOTED that the Research Excellence Framework audit fieldwork was underway and no concerns had arisen to date.

DISCUSSED the Value for Money (VfM) Arrangements audit summary. Several initiatives were implemented by the College to ensure that Value for Money was obtained, including the Project Governance Framework, and the Planning Cycle. However, HEFCE required the College to demonstrate VfM more explicitly by formalising evidence and sharing it with the Committee. Other institutions had introduced a VfM policy framework which captured both the financial as well as the intangible aspects of VfM. The policy framework should not be burdensome or drive the wrong behaviour, but should enable the College to gain credit for the VfM activity that was underway. The Committee questioned the rating of the finding as 'medium', but was reassured that the rating reflected that the College had demonstrated that it could gather the information when required.

REQUIRED the management responses to the VfM Arrangements audit as soon as possible.

DISCUSSED the Procurement audit which had rated one finding related to disclosure of interests as 'high'. The new Central Procurement Unit had improved consistency in procurement practices across the College, but further improvements were required. There was some disagreement regarding whether the unit should 'police' procurement practices, but it was acknowledged that there had been positive change over the past year which should continue and develop into the future.

DISCUSSED progress against the 2012-13 audit plan. Concerns were raised about the timing of the fieldwork for the audit of Student Recruitment and REQUIRED Grant Thornton to discuss this with the Secretary and Registrar to ensure a productive audit which would inform the formation of the new Admissions unit.

NOTED that the Committee expects to receive the following audit summaries before or at the next meeting in November: Risk Management Framework, Student Recruitment, Financial Planning and Monitoring, Student Experience, Marketing, and Data Integrity.

6. INTERNAL AUDIT MATTERS

6.1 NOTED that the Chair had received a letter from the outgoing Internal Auditor for 2011-12 which confirmed that the Internal Audit Annual Report 2012 should be accepted as the statement to Council in accordance with section 52 of the HEFCE financial memorandum
6.2 RECEIVED a report of the procurement recommendation to appoint Deloittes as the Internal Auditor for 2013-14 onwards (ACC/13/19).

6.3 RECEIVED the draft Internal Audit Plan 2013 - 14 (ACC/13/20).

NOTED that members of the Committee had already met Deloittes to discuss how the transition between Internal Audit Service providers would be managed. The change had been communicated to College Executive and the Directors of Professional Services and a further College-wide announcement was being considered for the start of the new academic year. The Internal Audit Plan for three years from 2013 - 14 would be prepared by the end of September 2013. Deloittes explained their assurance process which incorporated live risk management and provided the Committee with an example audit report.

REQUIRED the draft Internal Audit Plan to be agreed by circulation before the November meeting. They would receive the first three full reports, after which the full reports would be circulated by exception only. The Internal Audit Manager would be given access to Deloittes audit software. Further access for Committee members would be discussed.

7. EXTERNAL AUDIT MATTERS

7.1 RECEIVED the External Audit fees for the year ending 31 July 2013 and an update on the Letters of Engagement and Representation (ACC/13/21).

The Letter of Engagement was valid for three years so no new document was required.

APPROVED the External Audit fees for the year ending 31 July 2013.

7.2 RECEIVED the External Audit Strategy (ACC/13/22).

NOTED that there had been no change to either accounting standards or reporting requirements, including those expected from the Charity Commission regarding public benefit reporting. The change in the College finance system meant that there would be no controls based assurance, but that this would be completed next year. The key areas that had been highlighted were common to the sector and none of the significant risks were particular to the College.

8. FINANCIAL MATTERS


NOTED that the publication of the HE SORP (Statement of Recommended Practice) had been delayed.

9. RISK MANAGEMENT

RECEIVED an updated of the Strategic Risk Register (ACC/13/24).

NOTED that responsibility for the oversight of the register had moved to the Strategic Development Unit who were also responsible for the College Strategy. The register was overseen by the College Executive, which was chaired by the Principal to ensure that the
key risks reflected the concerns of both senior managers and the Principal. The next stage was to consider a risk management training programme for staff, particularly managers.

10. **COMMUNICATION**

AGREED that the appointment of Deloittes as the Internal Auditor for 2013-14 onwards should be widely communicated throughout the College and that the Strategic Risk Register would be published internally with the College Strategy.

11. **DATE OF NEXT MEETINGS**

The next meeting will be Thursday 7 November 2013 at 10am in the PMR

12. **ANY OTHER BUSINESS**

Mr Newlands sent his apologies for the November meeting