Minutes of the Audit and Compliance Committee meeting held on Thursday 24 July 2014 at 10am in the Principal’s Meeting Room.

Present:  Mr David Spence (Chair)  
          Ms Colette Wilson  
          Mr Mark Newlands

In attendance:  Mr Simon Higman (Registrar and Secretary)  
                 Mr Graeme Robinson (Director of Finance)  
                 Mrs Kay Trinder (Internal Audit Manager)  
                 Mr James Aston (BDO Partner)  
                 Mr Richard Peel (Deloitte Senior Manager)  
                 Mrs Rachel Knight (Deputy College Secretary and Secretary to the Committee)

APOLOGIES
Apologies were received from Mr Majid Hawa, Professor Paul Layzell (Principal) and Mrs Jenny Febry (Deputy Director of Finance)

1. MEMBERSHIP
NOTED that Mr Mark Newlands had agreed to be appointed for a second term of office commencing on 1 August 2014.

2. MINUTES
CONFIRMED and signed the minutes of the meeting held on 11 February 2014 (M14/01 – M14/29).

3. MATTERS ARISING FROM THE MINUTES
No matters arising.

4. COMPLIANCE
   Research Ethics Committee
RECEIVED and NOTED a report from the Committee which met on 10 June 2014 (ACC/14/10).

RECEIVED a verbal report from the Registrar and Secretary regarding the implementation of the revised Ethics Research procedure (M14/11). The report expanded on the brief reference to the development of a new online ethics process in the Committee report. The Associate Vice Principal for Research was overseeing the development of a revised ethics policy and process which would be more aligned with the academic culture than the current policy. The Research Ethics Committee felt that the current policy was appropriate, but that a recent case had highlighted that it needed to be made simpler to use and that the process of gaining ethical approval was currently too long, and this had resulted in a perception that the policy was intended to ‘police’ research rather than to support it. The proposed simplified three stage process was outlined by the Registrar and Secretary. Online completion of the process will provide a strong audit trail. It was noted that the biggest challenge would be implementing and communicating the new system.
The Committee was asked to note that as a research led institution it was expected that some research would cross the lines of acceptability in the eyes of the public, but that research activity would not fail ethics approval on these grounds. The Committee discussed the risks associated with cutting edge research and noted the difficulty in establishing absolute rules, recognising that some valid academic enquiry would be unpopular but that the College would not endorse research that constituted criminal offence. It was important that the Research Ethics Process alerted College of potential risks associated with research activity so that the College could be prepared and to avoid the moral hazard that would occur should a researcher expect College support without informing College that these risks were likely to occur.

DISCUSSED the importance of the composition of the Research Ethics Committee and that on occasions its members may be asked to make difficult decisions, when it would be appropriate to seek legal advice. The roles of Council, Audit Committee and Research Ethics Committee were considered. The role of this committee was to satisfy itself and Council that the processes are adequate and properly applied and that decisions were reached in an appropriate way, not necessarily to ensure it that the decisions were right. The Committee were assured that where appropriate the College would continue to ensure that ethical approval was linked into the distribution of research funds.

REQUIRED a paper outlining the roles of Council, Audit and Compliance Committee and the Research Ethics Committee in the revised Research Ethics Approval framework.

5. RISK REGISTER
RECEIVED the updated strategic risk register as discussed at Council on 21\textsuperscript{st} May 2014 (CL/M/86) and the Risk Management Policy approved by the Planning and Resources Committee on 24\textsuperscript{th} March 2014 (ACC/14/11).

NOTED that cybersecurity and the library project risks were not included in the Strategic Risk Register. The Library Project risk was included in the capital project risk register because the project was part of the wider Estate development programme and the risks were closely entwined with a number of other key developments.

DISCUSSED the Risk Management Policy. The Committee noted some inaccuracies regarding roles and responsibilities to be fed back to Planning and Resources Committee. Section 2.2 of the policy referred to embedding risk management activity. It was confirmed that this expressed the desired statute rather than the actual state, and the difficulties associated with embedding risk management were discussed. There was emphasis on how staff recognise, consider and discuss risk, including that risk management is regularly considered without using the language of risk managers. It was noted that embedding risk management regularly proved challenging in any organisation, and that the policy stated the desired rather than the actual state. The senior management training session on risk management was well received and addressed some of the Committees concerns.

AGREED to review policy in light of the comments made and to bring a revised policy to the next meeting. The Internal Auditor would bring a status update outlining where Deloitte thinks College is regarding embedding risk management.

NOTED the strategic risk register. Requested that the section on page 2 regarding risk appetites was amended to reflect that decisions consider risk balanced against the environment current at the time of the decision.
6. **INTERNAL AUDIT REPORTING**

RECEIVED the Internal Audit Manager’s report (ACC/14/12). The 2012-13 audit plan had been completed since the last meeting. Six audits remained uncompleted from the 2014 – 15 audit plan, 5 of which were already underway. The new Memorandum of Assurance and Accountability from HEFCE included the quality of data provided to the Student Loans Company and this was to be added to the added to the Data Quality Audit.

DISCUSSED the outstanding audit recommendations and recent findings. The UKBA follow-up audit had identified 1 incomplete student record out of the 20 selected, and it was agreed that there would be a further follow-up audit once student records had completed their own audit following the next student intake which would be the first time that the process would be completely electronic. The majority of outstanding recommendations over 1 year old were from the audits regarding sustainability and precious assets. Given the new staff that had been recruited in both these areas these were expected to be completed in the coming months. Given that there have been a number of audit recommendations significantly delayed by staff vacancies the Committee questioned succession planning, especially where posts involved specialist knowledge. The internal audit recommendations had been delayed where posts weren’t vacant, but where personal circumstances such as extended illness had occurred.

NOTED that the College had considered the cybersecurity risks discussed at the last meeting (M14/21), and that it was important to ensure the governance framework continued to push the issues forwards. It was AGREED that the draft cybersecurity risk register entry should be presented to the Planning and Resources Committee for inclusion in the strategic risk register. The College keeps and monitors data about attacks and attempts to breach IT security arrangements, and it was noted that the sector faced a particular challenge regarding open access requirements, particularly in the context of the Research Excellence Framework and Research Council requirements. It was important that there were appropriate governance processes to keep the Committee and Council sufficiently informed. There was a bundle of risks and planned internal audits surrounding Research Council changes, social media, cloud and data protection considerations that all relied on IT governance but needed to be separated for the internal audits to be able to provide adequate assurance. It was AGREED that Deloitte would develop an IT assurance map which summarised the risks and associated assurances. It was also confirmed that the College was participating in the Universities UK cyber security self-assessment health check toolkit and that the outcome would be reported to the Committee in due course. Deloitte also agreed to provide the Secretary and Registrar with some information to help the College explore the development of a risk universe.

NOTED that the Committee received Deloitte’s first three Internal Audit reports in full by circulation on 28 May 2014 (M13/73). These were *Halls Residence 1314, International staff recruitment 13-14 and Payroll 1314.*

RECEIVED a report from Deloitte regarding internal audit progress (ACC/14/13). Seven internal audit reports had been finalised since the last meeting, and the consensus from the College leads regarding the whole audit had been that the findings were as expected. There had been appropriate challenges to draft recommendations which had been resolved by discussion. The Committee APPROVED the postponement of the TRAC audit to September 2014. The Committee discussed the summaries of the final reports. A recommendation in each of the reports relating to *Halls of Residence and Recruitment* were upgraded from a
priority 2 to a priority 1 at the request of the Committee, which prompted a discussion about when it was appropriate to raise the real red flag.

DISCUSSED the revised Higher Education (HE) Code of Governance issued by the Committee of University Chairs. The increased emphasis on the consideration of external activities and the required due diligence was noted. The draft code included a governing body responsibility for academic governance, and it was noted that this was likely to be removed given the response from the sector.

7. INTERNAL AUDIT MATTERS
RECEIVED the draft Internal Audit Plan 2014 – 15 and 2015 – 16 (ACC/14/14). The changes were discussed individually and the plan was considered against the strategic risk register. The risks related to the use of space was addressed in the masterplan, where all spaces were assigned a value relating to how it was used, for example, eating, sleeping, teaching. The Committee noted that it was difficult to remember what audits had been completed prior to the current academic year, especially given that there had been two changes in the Head of Internal Audit over the past two years. Future plans should demonstrate the cycles where internal audits were carried out on a rolling basis and how the plan related to the strategic risk register. However, the Committee were mindful that the core midyear financial audits could not be dropped in favour of addressing all the risks on the register.

APPROVED the draft Internal Audit Plan 2014 – 15 and 2015 – 16.

8. EXTERNAL AUDIT MATTERS
RECEIVED an update on the current audit plan from BDO (ACC/14/15). Both the external auditors and the College were satisfied with progression to date and no new concerns had arisen since the last meeting. Three audit risk areas had been identified which were normal sector concerns. The Committee were assured that there were no known further risks.

APPROVED the External Audit Fees for the year ending 31 July 2014 which were in accordance with the service agreement.

9. FINANCIAL MATTERS
RECEIVED a paper regarding implementation of Financial Reporting Standard 102 (ACC/14/16). Staff had received training from BDO and the preparation work had been completed. KPMG had been engaged to help with analysing how the requirements, including the Higher Education SORP affected College, and to provide technical advice. The Committee were comfortable with progress to date. The key accounting change was recognised as the changes related to the USS provision for recovery plan. The Committee discussed the possible decisions associated with the agreement of the new plan due in 2015 that the College would have to make, taking into account pension liability, fixed asset valuation and issues of depreciation.

APPROVED the fees included in the audit plan, for BDO's audit of the implementation and restatement of the financial statements due to FRS 102.

NOTED the proposed borrowing to finance the Development of the Estate and the establishment of a Council Oversight Group. The Committee discussed the role of the Oversight Group and the role of this Committee. The Oversight Group was not expected to meet until September and the process was likely to be at the halfway point at the time of the next Committee meeting.
AGREED that the Terms of the Reference, Delegation Schedules and minutes of the Oversight Group should be circulated to the Committee for information.

10. **HEFCE MATTERS**
RECEIVED an update about the new HEFCE Memorandum of Assurance and Accountability (ACC/14/09). This replaced the existing financial memorandum from 1 August 2014 and had tidied HEFCEs intervention powers where organisations were deemed to be at higher risk. The new Memorandum also reduced the size of the Code of Practice for Audit Committees, referring them to other sector audit guidance.

11. **COMMUNICATION**
NOTED that the draft Internal Audit Plan 2014-15 and 2015-16 should be circulated to the Planning and Resources Committee before wider circulation.

12. **DATE OF THE NEXT MEETING**
Tuesday 4 November at 10.00 in the PMR

David Spence
Chair
4 November 2014