Minutes of the meeting of Audit & Compliance Committee - 1 November 2013

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

Apologies: Professor P Layzell (Principal)
           Grant Thornton

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 R Evans (Deloittes)
               Mr J Aston (BDO Partner)
               Mrs R Knight (Deputy College Secretary) (Secretary)

1. MEMBERSHIP & TERMS OF REFERENCE

   NOTED that another member had been recommended to appointment to the
   Committee and it was hoped that the appointment would be confirmed shortly.

2. MINUTES

   APPROVED and signed the minutes of the last meeting held on 25th July 2013 (M13/36 - M13/85).
3. **MATTERS ARISING**

3.1 RECEIVED a report on the implementation of the new finance system (ACC/13/25).

   NOTED that the system had gone live as planned, and that Phase 2 activities had been re-scheduled for completion in April 2014. It was confirmed that the aim was to prepare a mid-year balance sheet, with quarterly balance sheet reporting thereafter. The Committee referred to comments in the Internal Audit and External Audit reports regarding privileged access, and management responded that these were being addressed but were not yet finalised due to the extension of the implementation timetable. It was recognised that access controls and duty segregation needed to be in place in order to test the hierarchy and to address any gaps. The Internal Audit plan would be adjusted to ensure this requirement was met.

   REQUIRED a further progress report at the next meeting.

3.2 No further matters were arising from the minutes.

4. **COMPLIANCE**

   Research Ethics Committee

   RECEIVED a summary of the meeting held on 30th September 2013 (ACC/13/26).

   DISCUSSED the risks associated with the listed projects and noted that it was not possible to ascertain from the provided summary that approved guidelines had been followed in all cases.

   REQUIRED management to reconsider how summary information could be provided to the Committee to provide complete assurance in ‘layman’ terms.

5. **INTERNAL AUDIT REPORTING**

5.1 RECEIVED the Internal Audit Manager’s Report (ACC/13/27).

   DISCUSSED internal audit recommendations over 1 year old, particularly the recommendation regarding the development of a recruitment strategy for overseas students and the management comment which referred to the priority given to the development of a Home / EU student recruitment strategy. The recommendation would be implemented by the new Director of Student Recruitment and that there is a lot of work to cover in this area both home and overseas recruitment. The Committee noted that the College continued to over perform on overseas student recruitment targets, but that more work on the management of risks was required in this area, particularly in the light of the possible fraud relating to a named overseas agent which was highlighted in the report and discussed by the Committee. The Committee received confirmation that the potential loss of approximately £26k had been reported to HEFCE (Higher Education Funding Council for England) and the External Auditors, and that it would be reported to Council.

   REQUIRED a report on further investigations, particularly regarding due diligence checks.
on new overseas agents.

DISCUSSED the decision not to include individual examination certificate checks at enrolment following the fraud entry register discussed previously as the risk of admitting a fraudulent student was minimal. (M/13/49).

5.2 RECEIVED a report from the outgoing Internal Auditors 2012 – 13 (ACC/13/28).

DISCUSSED recommendations particularly regarding risk management and key financial controls, it was acknowledged that a lot more work needs to go into embedding the risk management process.

5.3 RECEIVED the Internal Auditor’s Annual report from the outgoing Internal Auditors 2012 – 13 (ACC/13/29).

NOTED that the Chair had spoken to representatives Grant Thornton earlier in the week and that the notes of this meeting had been circulated in advance of the Committee. The Committee expressed concern at the exceptions included in the opinion and were not confident that this style of reporting was common across the sector. The exceptions reported in the opinion were not reflected in the Internal Audit reports and recommendations which had been received throughout the year and the Committee were confused by change in tone and message. The report was not accepted in its current form.

NOTED disappointment in the report that 55% of management responses to draft Internal Audit reports were received by Grant Thornton within 15 days. The Committee recognised that this was an improvement but agreed that this was not acceptable and required improvement in response rates in the coming year.

REQUIRED College management to ask Grant Thornton to reword their report to provide positive assurance whilst drawing attention to suggested improvements. The final report would be circulated to lay members before the Council meeting.

6. INTERNAL AUDIT MATTERS

RECEIVED the draft Internal Audit Plan 2013 – 14 from the incoming Internal Auditors (ACC/13/30).

NOTED that the plan had been amended since July 2013 and allowed for 160 days work, but it was intended that this would be reconciled to 140 days as contracted. The updated plan had been informed by meetings with senior staff, the current Risk Register, and the areas for improvement highlighted by the outgoing Internal Auditors. The plan was to remain fairly flexible and allowed for follow-up audits where necessary. It was noted that here the Internal Audit Manager had a key role. The comments column did not specify the audit objectives because these would be defined in the audit scope with the input of the relevant manager and would be included in the audit report circulated to the Committee.

APPROVED the audit plan, noting that it was subject to change, especially in 2014 / 15 and 2015 / 16. The Committee would review the plan every July.
7. **EXTERNAL AUDIT MATTERS**

RECEIVED the External Auditors Annual Report (ACC13/30).

NOTED that the audit status was complete pending the HESA (Higher Education Statistics Agency) student data reconciliation which had recently been received by the College. The External Auditors were satisfied that there were no issues for the consideration of the Committee and following discussion of the improvements expected from the new finance system the Committee accepted the Report.

8. **ANNUAL ACCOUNTS AND FINANCIAL STATEMENTS**

8.1 RECEIVED the RHUL Consolidated Financial Statements for 2012 / 13 (ACC/13/32).

NOTED that the Finance Committee had made 2 minor changes regarding the name of a Committee and amending “debtor within 1 year” to “debtors”. The Operating and Financial Review had been updated to reflect the new strategic plan and principal risk documents.

DISCUSSED the impact of the forthcoming pension scheme revaluations coupled with the introduction of a new Financial Reporting Standard on the 2015 / 16 financial accounts.

RECOMMENDED the Consolidated Financial Statements for approval by the Council on a going concern basis.

8.2 RECEIVED a financial report on the Founders Endowment Fund (ACC/13/33).

8.3 RECEIVED the Financial Statements for Royal Holloway Enterprise Ltd (ACC/13/34).

NOTED that there had been an increase in the level of consultancy services, the biggest provider of which was Information Security.

RECOMMENDED the Financial Statements for approval by the Royal Holloway Enterprise Ltd board.

9. **VALUE FOR MONEY**

RECEIVED a revised policy framework (ACC/13/38).

DISCUSSED the framework and questioned its relationship with the existing risk management framework. It was suggested that the two should be implemented simultaneously, and noted that HEFCE required separate articulation of risk and value for money considerations. It was not clear how the framework was driven by strategic themes, nor how it balanced the different stakeholder perspectives, especially students.

REQUIRED management to develop the framework in response to their comments, and to provide the Committee with a report regarding value for money activity measured against the plan in November 2014.

10. **ANNUAL REPORT TO COUNCIL**
RECEIVED a draft of the Committee’s Annual Report to Council (ACC/13/35) 13/120

NOTED that the Report could not be completed without the final Internal Auditor’s Annual Report. The Committee suggested changes to the Value for Money and Fraud sections following discussions earlier in the meeting. 13/121

AGREED that the report would be amended and circulated for discussion and approval before the November Council meeting. 13/122

11. HEFCE ANNUAL ASSURANCE 13/123

11.1 DISCUSSED what was required from the Committee for the Annual Assurance Return (ACC/13/36), and noted that Part 2 of the return should reflect the potential loss already reported to HEFCE as discussed earlier in the meeting. 13/124

AGREED that it has been provided with the required assurance based on the documents it had received and that the document should be signed by the Principal, as the Accountable Officer, and the Chair of Council, as a Trustee. 13/125

11.2 APPROVED the proposed sign off process for the TRAC (Transparent Approach to Costing) Return (ACC/13/37) and noted that the process was the same as last year, requiring the Committee to approve the return by circulation in mid-January.

12. MAJOR INCIDENT MANAGEMENT PLANNING 13/126

RECEIVED the revised Major Incident Management Documentation (ACC/13/39) as requested by the Committee (M13/33). 13/127

NOTED that there should be 3 elements to the plan, including an emergency plan, a crisis communication plan and a recovery plan. It was expected that a training event would be held in the new year. 13/128

REQUIRED management to develop a crisis communication plan, which would include media training for senior staff. The Committee requested an updated on the training event.

13. COMMUNICATION 13/129

REQUIRED the dissemination of the Internal Audit Plan to Heads of Professional Services and Academic Departments. 13/130

NOTED that the Consolidated Financial Statements for 2012 / 13, which included the External Audit Opinion, would be published on the College website once approved.

14. DATE OF NEXT MEETINGS 13/131

The next meeting will be Tuesday 11 February 2014 at 10am in the PMR