AUDIT & COMPLIANCE COMMITTEE

Confirmed Minutes of the Eighteenth meeting of the Audit & Compliance Committee held on 5 November 2010

Present: Mr W F Rooke (Chair)
          Mr S Cooksey
          Mrs E Horwood
          Mr M Newlands
          Mr R Buswell

Apologies: Ms H Bygrave (Audit Partner Deloitte)
           Ms Penny Seera (Deloitte)
           Professor P Layzell (Principal)
           Ms K Kerr (College Secretary and Head of Governance)
           Mr G Robinson (Director of Finance)
           Mrs J Febry (Assistant Director of Finance)
           Mr M Evans (Internal Auditor)
           Mrs J Ballard (Equal Opportunities Adviser) Item 10.3
           Professor Geoff Ward (Vice Principal Planning and Resources) Items 10.3 and 10.4
           Mrs R Knight (Secretary)

1. MEMBERSHIP

1.1 The Committee welcomed:

1.1.1 Mrs Jenny Febry, who had replaced Mrs Jean Strudley as Assistant Director of Finance, to her first meeting.

1.1.2 Mr Stephen Cooksey to his first meeting

1.1.3 Professor Paul Layzell, Principal, to his first meeting

1.2 The Committee noted that:

Mr Mark Newlands was now a lay member of Council and no longer a co-opted member of the Committee.

This was the last meeting for Mr Bill Rooke, who was appointed to the Committee in November 2005 and who had been Chair since January 2009. The Principal thanked Mr Rooke for his important work on behalf of College
2. MINUTES

The Minutes of the last meeting held on 7 July 2010 (M10/43–M10/83) were confirmed subject to the following changes:

Minute 10/47 should read

The Committee were concerned to ensure that control reports relating to custodians of investments and money market funds were provided.

Minute 10/70 should read

The Committee noted the updated risk registers. Management was asked to review the Principal Risk Register to identify the root causes of the risks. Further work needed to be undertaken on the post mitigation likelihood and impact of the risks occurring.

3. MATTERS ARISING FROM THE MINUTES

Arising from minute 10/68, Risk Management

The College Secretary quoted the relevant section from the 'CUC Guide for HE Members in UK Governing Bodies' which states that

“The governing body is not responsible for managing risk at operational level. It does, however, need to ensure that a robust system exists for evaluating and managing risk within the institution, and that this process is subject to regular review. A specific methodology for managing risk is not prescribed. HEI’s are encouraged to implement systems appropriate to their individual circumstances.”

This was supported by the College Secretary’s research which showed that it did not appear to be common practice for HEIs to have lay governing body members on the Risk Committee. She also reported that College guidelines did not preclude a Management Steering Group reporting to a Council Committee.

Arising from minute 10/52, HEFCE Assurance Review

It was noted that HEFCE had not included point 4.2.6 relating to Treasury Management in their report. However, the Committee considered it to be a significant risk.

AGREED

That the College Secretary should confirm that an item referring to Treasury Management has been included in the Principal Risk Register.

4. EXTERNAL AUDIT MATTERS

The Committee considered the External Auditors Report (ACC/10/30a). It was noted that the audit was complete and that Deloitte expected to issue an unqualified report.
The External Auditor drew the Committee’s attention to the key findings. Of the four outstanding matters listed in the summary the receipt of bank confirmation letters for a £2m deposit with Yorkshire Bank had been received; and the finalisation of internal review procedures and testing of interest rate swaps and cap on the loans as disclosed in note 17 of the financial statements, had been completed satisfactorily.

The Committee noted that the Auditors had received written confirmation that there had been no significant market changes that would require an updated valuation of the picture collection in 2010.

One internal control item had been identified relating to prepaid and overpaid student fees. It was noted that the Director of Finance had accepted this recommendation and that an exercise to remove stale credit balances would be undertaken.

The Principal confirmed that he was satisfied with the Letter of Representation (ACC/10/30b).

The Director of Finance confirmed that he was satisfied with representations made in items 12 and 18.

The Committee considered and accepted the Letter of Representation subject to the deletion of item 16.

The Committee thanked the External Auditors.

5. ANNUAL ACCOUNTS AND FINANCIAL STATEMENTS

5.1 The Committee considered the Consolidated Financial Statements for 2009-10 (ACC/10/27).

Following discussion it was AGREED

That a review would be made of other HEI Financial Statements in 2010 and a decision be made whether to include Council Members’ Responsibilities in the Financial Statements from 2011.

The Statement of Primary Responsibilities would be included in the final version of the Financial Statement 2009-10 as required by HEFCE.

The Committee received and approved the paper subject to minor amendments and final approval by Council.
5.2 The Committee received the Royal Holloway Enterprise Ltd Financial Statements for 2009 – 10 (ACC/10/28) for approval. The Committee made the following amendments which would need to be communicated to the Finance Committee.

1 The Company Secretary entry should be amended to reflect the appointment of Mrs J Febry from 11 November 2010.

2 The bad debt provision in note 3 should be expressed as “charging / (crediting)”

3 To confirm the correct figures for the Gift Aid payments listed in note 4.

4 To include the disclosure requirement as UK Corporate Tax of 21% in note 4.

5 To amend note 5 to ‘a debtor owed by the parent undertaking’.

6 To bring the figures in note 6 in line with other notes.

7 To ensure the monetary terms are consistent throughout the report.

5.3 The Committee received and approved the Founder’s Endowment Fund Financial Statements for 2009 – 10 (ACC/10/29) subject to the removal of the (deficit) in “Cumulative surplus (deficit) 1 August”.

6  INTERNAL AUDIT MATTERS

6.1 The Committee received the Internal Auditor’s operational report (ACC/10/31, ACC/10/31a and ACC/10/31b)

The Internal Auditor confirmed that he had been providing reports to the Management Co-ordination Group for the past year. It was noted that the vacuum caused by the vacancy of the Director of Operations position had exacerbated the problems and that this should improve when the new Director takes up his post in January.

The Committee rejected the request to move two of the audits in the 2009-10 plans into 2010–11. Therefore extra temporary resource was required to complete the 2009-10 audit plan. The Committee discussed the resourcing of the Internal Audit Department, including the remuneration package of the Head of Internal Audit. It was

AGREED

That the whole Internal Audit function should be reviewed by the Principal who would report back to the March meeting.

The Committee noted that one audit report was outstanding from mid 2009 and felt that this delay was unacceptable. It was

AGREED

That the Principal should follow up the report.
6.2 The Committee received the Internal Auditor’s Annual Report 2009-10 (ACC/10/32). It was noted that HEFCE had expressed satisfaction with the Internal Audit function during its Assurance Review.

AGREED

The Internal Auditor to update the report to include recent events.

7 HEFCE MATTERS

7.1 The Committee received and approved the Annual Assurance Return (ACC/10/33).

7.2 The Committee received and discussed the HEFCE Assurance Review Interim Report (ACC/10/34).

The Committee expressed its concern that notes 14 and 15 suggested that the Council had acted without proper consideration in allowing the Council Executive Committee to approve the Financial Forecasts and Audited Financial Statements in the place of the full Council.

The Committee was concerned by inaccuracies in notes 18 and 19 which stated that the Committees Annual Report was submitted to HEFCE before it was received by Council. The Committee was concerned that College Management had responded to the report without consulting the Committee.

AGREED

That the College Secretary would write to HEFCE to clarify the formally delegated responsibility of the Council Executive committee when approving the Annual Account. She would also outline the procedures for future years. The letter would include an apology that management had acted inappropriately by responding to the interim report without first consulting the Audit and compliance committee.

The full Council would be asked to approve the Financial Forecasts and Audited Financial Statements following consideration by the Council Executive Committee. It was noted that all Council Members were invited to attend the Finance Committee meeting on 28th October when the Financial Statements were approved.

That in 2011 the November Council meeting would be brought forward to allow enough time for the Council to discuss the Financial Statements.

The Committee noted that the Finance Committee had confirmed that the Director of Finance should remain a member of the Finance Committee despite the reservations expressed in the HEFCE Interim Report. Whilst the Audit and Compliance Committee supported this view it was

AGREED

That the appointment required approval of Council
7.3 The Committee received and noted the HEFCE Audit of the 2009-10 HESES return (ACC/10/35). The Committee noted that it was a good audit report with very minor recommendations with no financial consequences. The completed Action Plan should be presented to the Committee as required by HEFCE.

8 ANNUAL REPORT TO THE COUNCIL

The Committee considered a draft of the Committee's Annual Report to Council (ACC/10/36).

Following discussion the draft was approved subject to the following amendments:

1. That the remit of the Committee should be amended to include the response to the UK Bribery Act. The College Secretary to amend the Committee Terms of Reference and bring them back to the next meeting.

2. The references to the Risk Management Committee should be amended to the Risk Management Steering Group.

3. The Committee agreed that section 17 should be amended to indicate that the Audit plan is overdue by 80 man hours.

9 CREDIT LIMITS

The Committee received an update on the amendment of credit deposit and investment limits following the meeting of the Finance Committee on 28 October 2010 (ACC/10/37). Although the Finance Committee came to an agreement the Committee expressed concern that the Council may have delegated unlimited authority to the Finance Committee to set credit and investment limits contrary to legal advice. It was

AGREED

That no money should be deposited or invested using the new credit and investment limits prior to receiving the Chair of Council's approval.

Such decision to be ratified by Council and any decision to delegate unlimited authority to set credit and investment limits to be discussed at the next meeting of Council.

10. COMPLIANCE

10.1 Risk Management

The Committee received the unconfirmed minutes of the meeting of the Risk Management Steering Group held on 8 October 2010 (ACC/10/38).

AGREED

The College Secretary to amend the Risk Management Steering Group Minutes to list the Internal Auditor as an officer in attendance.

10.2 Health and Safety
The Committee received the minutes of the Health and Safety Committee meeting held on 3 June 2010 (ACC/10/39a) and the unconfirmed minutes of the Health and Safety Committee meeting held on 7 October 2010 (ACC/10/39b).

10.3 Equal Opportunities
The Committee received a progress report on Equal Opportunity Matters from the Equal Opportunities Advisor (ACC/10/41).
The Committee also received an oral update on Equal Pay Issues from the Vice-Principal (Planning and Resources).

10.4 Ethics
The Committee received the Ethics Annual report covering the period from 1 August 2009 – 31 July 2010 (ACC/10/40).

It was noted that the nature of research at Royal Holloway was that there were relatively few applications to the Ethics Committee and that they mostly related to matters involving research on human subjects. It was confirmed that applications for research using animals were managed by the Dean of Science and were heavily monitored by the Home Office. It was

AGREED
That the College Secretary would confirm whether the Committee was responsible for animal ethics.

11 SCHEDULE OF DELEGATION

The Committee reviewed the Schedule of Delegation (ACC/10/42) and recommended;

1. That a note is added to section 3, ‘Strategic Alliances’ to make it clear that the delegation is ‘subject to restrictions in the College Statutes’.

2. That section 4 ‘Employment’ should indicate that the responsibility for remuneration for the Principal and Vice-Principals is delegated to the Council Remuneration Group

3. That section 7 is amended to reflect the Council decision that the Financial Committee does not have any power to form or dissolve subsidiary companies.

12 COMMUNICATION

12.1 The Committee did not agree any items for broad dissemination throughout the College at this time.

12.2 The Committee did not identify any items which should not be published automatically under the Freedom of Information Act.

13 DATE OF NEXT MEETING

The Committee noted that the next meeting will be on Friday 4th March
2011 at 10am.

14 ANY OTHER BUSINESS

The Committee noted that the incoming UK Bribery Act required more action than just increasing the scope of the Fraud Policy.

AGREED

The College Secretary would research the requirements of the Act and report back to the Committee.

[Signature]

David Spence
Chair
Royal Holloway  
University of London  

AUDIT & COMPLIANCE COMMITTEE  

Minutes of the Additional meeting of the Audit & Compliance Committee  
held on 26 January 2011  

Present:  
Mr D Spence (Chair)  
Mr S Cooksey  
Mrs E Horwood  
Mr M Newlands  

In Attendance:  
Mr G Robinson (Director of Finance)  
Mr G Clark (Costing and Pricing and Management Accountant)  
Mr M Evans (Internal Auditor)  
Mrs R Knight (Secretary)  

Apologies  
Mr P Layzell (Principal)  
Ms K Kerr (College Secretary and Head of Governance)  

1. TRAC Submission  

The Committee received papers from the Director of Finance (Paper A) and from the Internal Auditor (Paper B). The meeting was being held in order to meet the HEFCE requirement that a Board committee should confirm compliance with the requirements set out in the declaration for the TRAC return, before the return is submitted.  

The Committee received an explanation of TRAC from the Costing and Pricing and Management Accountant and the Internal Auditor, who had completed an internal review of the TRAC return.  

Following discussion the Committee  
CONFIRMED  

The College’s compliance with TRAC requirements as set out in the declaration.  

The Committee noted that the TRAC for Teaching benchmark results will be available in the Spring and requested a report at a future Audit and Compliance Committee meeting.  

[Signature]