Changes to the memorandum of assurance and accountability with effect from 01 August 2016

Outcome requested:	Audit and Risk Committee is asked to **note** the changes to the memorandum of assurance and accountability with effect from 01 August 2016.
Executive Summary:	This paper explains changes to the Memorandum of Assurance and Accountability (MAA) which became effective from 1 August 2016. The revised MAA has been published as HEFCE 2016/12 and has been included in the additional reading. **Revised operating model for quality assessment** The MAA contains information about the way in which HEFCE will exercise its statutory duty to assess the quality of education in providers that it funds. The previous text focused on the operation and outcomes of the Quality Assurance Agency for Higher Education's Higher Education Review process, and the way these fed into HEFCE's approach to identifying and managing risk in HEFCE-funded providers. The changes to the MAA replace these out-of-date sections with clearer signposting to the revised operating model. **Changes to the triggers for Exchequer interest repayment** HEFCE's Exchequer interest policy protects the taxpayer's long-term interest in capital funding by setting out the circumstances ('trigger events') which would make institutions become liable to repay previous capital grants. Under the terms of Treasury guidance on Exchequer interest, HEFCE has the right, but not the obligation, to request repayment in specified circumstances. Its approach is based on the assumption that repayment of Exchequer interest will occur only in exceptional circumstances. The changes to the policy do not change this assumption. There are currently two separate triggers, either of which would make an institution technically liable to repay Exchequer interest. The first trigger event is if an institution becomes insolvent, including going into liquidation or administration, or if it dissolves or transfers its undertaking to some other body (for example, by the exercise of the Secretary of State's powers under the Education Reform Act 1988), or if it experiences any analogous event. The second trigger, which related to the level of HEFCE-funded activity and tuition fee payments from the Student Loans Company has been changed. This is because it had proved complex for institutions and HEFCE to monitor, and HEFCE was conscious that increasing volatility in income levels, including that arising from the new Statement of Recommended Practice for further and higher education (SORP), would be

	likely to lead to this second trigger being activated as a result of temporary changes in an institution's income. The revised second trigger will now be activated if a higher education institution (HEI) ceases to be designated as eligible for HEFCE funding, or chooses to withdraw from its funding relationship with HEFCE. Either of these circumstances will trigger a decision and HEFCE will consider whether it should require repayment of the Exchequer interest balance. This revised approach was agreed with the Department for Business, Innovation and Skills. HEFCE will continue to generate an annual Exchequer interest statement for each HEI, setting out the current Exchequer interest balance which it would become liable to pay if either of the trigger events were to occur. HEFCE plans to issue the next Exchequer interest statements in Autumn 2016. These changes to the Exchequer interest policy are set out in Annex D of the MAA. **Charity disclosures in the financial statements** To help improve the quality of charity information disclosed in the financial statements of those HEIs that are exempt charities, the guidance in the MAA at Annex E has been enhanced. However, there are no changes to HEFCE's requirements as principal regulator. **External audit opinion** Annex A (paragraph 23) of the MAA provides the revised wording for the annual external audit opinion. As a result of the new SORP the first element of the annual external audit opinion should now state: 'The financial statements give a true and fair view of the state of the affairs of the HEI and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year.' All other elements of the external audit opinion remain the same.
QMUL Strategy: strategic aim reference and sub-strategies [e.g., SA1.1]	Effective governance supports the achievement of all strategic aims.
Internal/External regulatory/statutory reference points:	HEFCE Memorandum of Assurance and Accountability
Strategic Risks:	11 Sustainable income streams for activities 13 Maintain effective and constructive governance

Equality Impact Assessment:	None required
Subject to prior and onward consideration by:	Audit and Risk Committee, 03 October 2016
Confidential paper under FOIA/DPA	NO
Timing:	With effect from 01 August 2016 and 2016-17 Financial Statements
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Date:	13 September 2016
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