

AUDIT AND RISK COMMITTEE
Monday 03 October 2016

CONFIRMED MINUTES

Present:

David Willis (Chairman)	Kathryn Barrow	Monica Chadha
Melissa Tatton		

In attendance:

Alison Anderson	Sue Barratt (External Audit)	Professor Edmund Burke
Eleanor Crossan	Paul Cuttle (Internal Audit)	Laura Gibbs
Joanne Jones	David Marks	Jonathan Morgan
Philippa Scott	Rachel Soper	Neil Thomas (Internal Audit)
Paul Thomas (External Audit)		

Apologies

Nadim Choudhary	Janice Trounson
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Part 1: Preliminary Items

Welcome

2016.001 The Chairman welcomed everybody to the Queen Mary Innovation Centre.

Executive Summary and Minutes of the meeting 02 June 2016 [ARC2016/01]

2016.002 The Committee **agreed** the Executive Summary, non-confidential and confidential minutes of the meeting on 02 June 2016.

Matters Arising [ARC2016/02]

2016.003 The Committee **received** the following matters arising from the non-confidential minutes of the meeting on 02 June 2016.

Trade effluent consents

[a] The Committee was pleased to note that the consents had now been obtained.

‘Deep dive’ into emergency planning and business continuity

[b] The table updating the progress of schools, institutes and services in producing business impact analyses and incident response plans was noted. The Committee would receive a further update at its meeting in February 2017.

Depreciation policies

[c] *Minute 2016.003[c] is confidential*

Research degree data audit

[d] The Chairman had written to HEFCE on 06 June 2016. On 01 July 2016, QMUL received a letter from HEFCE stating that it now had the assurances it required and confirming formally that the audit had been closed.

Due diligence processes

[e] An action from the review of compliance with the CUC Higher Education Code of Governance recommended that the Committee receive a report on due diligence processes related to partnership activity. The Committee noted the summary table of relevant reports received.

Maths Building project recommendations

[f] *Minute 2016.003[f] is confidential.*

Part 2: Risk Management

Strategic risk management [ARC2016/04]

2016.004 The Committee **received** the quarterly report on QMUL's strategic risk management framework. The following points were noted:

[a] The risk exposure had increased in a number of areas and many of these now appeared in red (i.e. high risk severity) on the register even after current controls. While in many cases this reflected the volatile and challenging external environment in which QMUL and other higher education institutions were now operating, improving performance in the National Student Survey (NSS) remained significantly within QMUL's control and must be a high priority.

[b] The use of NSS results in the Teaching Excellence Framework (TEF) metrics was highlighted and it was noted that the Vice-Principal (Student Experience, Learning and Teaching) would be presenting to Council on action being taken by QMUL at its meeting in February 2017. It was also noted that the Students' Union might boycott the NSS in 2017 as part of a national campaign.

[c] The Committee discussed student recruitment, noting that, with the markets remaining volatile and the risk exposure in this area likely to remain high for the foreseeable future, planning should be calibrated accordingly. It was noted that there were elements of strategy within QMUL's control, which might include diversification of activity to new markets.

[d] Operational plans within the Professional Services would be formulated to take account of the risk registers in the way that actions are prioritised.

- [e] It was **agreed** that the Strategic Risk Management Group should be asked to look at whether expansion within the School of Business and Management could be sustained given the reliance on this area to deliver against stretching recruitment and financial targets.
- [f] With reference to the issues relating to the IBM contract and procurement of legal advice, it was confirmed that IT services were now obtaining legal advice before entering into contracts. More generally, QMSE would shortly be considering recommendations from the Academic Registrar and Council Secretary on the procurement and oversight of legal advice and services across the institution.
- [g] Focusing on the mitigating actions and notes, it was noted that most of what was included in the risk register was described as being underway, ongoing, or in progress, thus painting a picture of an enormous amount of change or potential stress in the system. The Committee sought reassurance that plans were being prioritised appropriately and pushed through to completion and was told that the Strategic Risk Management Group scrutinises the plans and actions in detail to ensure its members are comfortable that issues are being addressed and progressed appropriately, and that where matters needed to be escalated to QMSE, this was happening.
- [h] In the light of the volume of change since the Committee last reviewed the register in June and the number of areas identified as high risk, it was **agreed** that the Strategic Risk Register be included in full with the additional reading for Council members. It was further noted that the issues and challenges were well-known to Council members and hence the status of the Strategic Risk Register unlikely to cause surprise, yet it demonstrated graphically and clearly the current level of risk exposure faced by QMUL.
- [i] It was noted that, should there be no changes in the external environment, it would be expected that some areas would move back to amber/green in 2017, and that this should be monitored closely by the Committee.

Actions: Vice-Principal and Executive Dean (Science and Engineering) [e]
Council Secretariat [h]

Whistleblowing cases since the last meeting [Oral report]

2016.005 The Finance Director **reported** that there had been no cases reported under the Public Interest Disclosure Policy since the last meeting.

Part 3: External audit

External audit: Audit of the restatement of the 31st July 2014 opening balance sheet and 2014-15 performance in FRS102 format [Oral report]

2016.006 The Committee **received** an oral update on the audit of the restatement of the 31st July 2014 opening balance sheet and 2014-15 financial performance in FRS102 format. The following points were made:

- [a] The final external audit report of the 2015-16 audited financial statements, which would include a restatement of the opening balance sheet at 31st July 2014 and the restated 2014-15 financial performance in FRS102 format, would be considered at the next meeting of the Committee.
- [b] The audit work was substantially complete and the final checks would be completed once drafted into the required format for the financial statements.
- [c] The work on the pension adjustments and assumptions had been finalised that day.
- [d] No further issues about this audit were brought to the Committee's attention.

2016.007 The Committee **received** an oral update on the audit of the 2015-16 Financial statements. The following points were made:

- [a] The Committee received interim comments from Deloitte and the Finance Director on the progress of the external audit of the 2015-16 Financial Statements, namely that the audit was on track and there were no issues to report at this stage. The main business of the next meeting of the Committee would concern these Financial Statements, and the related report from the external auditors, before they are submitted to Council.
- [b] It was noted that the Committee would need to devote some time at the next meeting to looking at the finance and operating review to understand the underlying position and volatility introduced through the introduction of FRS102.
- [c] The QMUL subsidiaries audit was being completed and it was not anticipated that any issues for the group audit would arise from it.

Part 4: Statutory and Regulatory Compliance

Report on data quality and returns to HEFCE, HESA and the SLC [Presentation]

2016.008 The Committee **received** a presentation from the Head of Strategic Planning and the Chief Operating Officer on the management of data and returns to external agencies, including HEFCE and HESA. The following points were made:

- [a] The presentation provided some contextual information about the number and nature of data returns, the interactions between them and how they are used to determine funding levels and in the compilation of league tables. It also described internal and

independent mechanisms used by management to obtain assurance about the quality of data and the robustness of returns.

- [b] Until fairly recently, HEFCE had conducted its own data quality audits on the Higher Education Survey Early Statistics (HESES) return, one of the key returns, together with the Student HESA return, used to determine the teaching and other grants for higher education institutions. Assuring the quality and robustness of returns had now been pushed back significantly to institutions.
- [c] Several assurance mechanisms were built into the returns processes. Internal assurances included data audits at relevant points throughout the year, including: module audits to determine teaching cost centres; checking of staff allocations, price groups and fee regime data; general sense checking, and senior management sign off. Independent data assurance included scrutiny and challenge of the data by HEFCE and HESA, as well as internal audit reviews.
- [d] Aside from the already large and increasing volumes of data requested by various agencies, other challenges lay in continued use of local systems and processes for managing data, and the necessary reliance that is placed on a small number of key individuals responsible for producing the returns. These issues did not directly affect the quality and robustness of the returns submitted, but did impact on efficiency and highlighted a more general issue about services and tools not being used or provided through the corporate systems.
- [e] It was noted that HESA would be moving to regular, in-year data collections in 2019-20 (the current returns are produced annually). Whilst the details of the new collections and processes were not yet known, there could be a need to update systems and processes to enable this.
- [f] The Committee requested further information about the data returns to the Student Loans Company.
- [g] The Committee discussed whether it should receive assurance reports routinely from senior officers following the sign-off process. It was **agreed** to explore what would be most useful for the Committee and to bring a proposal to the next meeting.
- [h] The Committee thanked the Chief Operating Officer and the Head of Strategic Planning for their helpful and informative presentation.

ActionS: Academic Registrar and Council Secretary [f]
Chief Operating Officer [g]

The Head of Strategic Planning left the meeting.

Modern Slavery Act [ARC2016/05]

2016.009 The Committee **received** the draft statement on compliance with the Modern Slavery Act. The following points were made:

- [a] It was a requirement of the Modern Slavery Act for a statement of compliance to be included within the Financial Statements. The Committee had received an earlier draft at its meeting on 04 February 2016.
- [b] Work had been undertaken to ensure compliance with the Act, particularly around procurement practices. An action plan had been compiled which was now complete.
- [c] The statement had been updated to reflect what QMUL had done to ensure compliance and the current position.
- [d] It was confirmed that a trusted firm had been commissioned to provide assurances about the equivalence of Chinese law in this area.
- [e] The Committee **recommended** the statement to Council for inclusion in the 2015-16 Financial Statements. [\[Rachel, I think that there is also an action on you to check what, if anything, has to go into the Committee's annual report. This is mentioned again in the paper in front of Council tomorrow\]](#)

Memorandum of assurance and accountability to take effect from 01 August 2016.

2016.010 The Committee **noted** the changes to the memorandum of assurance and accountability to take effect from 01 August 2016.

Part 5: Internal Audit

Internal Audit reports [ARC2016/07]

2015.011 The Committee **considered** the internal audit reports into health and safety and research overhead recovery. The following points were made:

- [a] The Health and Safety review considered health and safety policies, training provision and reporting. It received a 'significant assurance with minor improvements' (amber-green) assessment. Two recommendations, one medium priority and one low priority, were made. The former related to strengthening the health and safety policy and the latter to a clarification of the roles of health and safety advisors and health and safety managers.
- [b] The Committee requested that its thanks were passed on to the Director of Health and Safety.
- [c] A research overhead recovery audit had been undertaken as part of the 2014-15 internal audit operational plan. It had received a 'partial assurance with improvements required' assessment, with a number of recommendations relating to strengthening controls, the overarching policy, reporting, and maintaining documentation. At its

meeting on 04 February 2015, the Committee had requested a follow-up review be undertaken during 2015-16.

[d] The follow-up review was undertaken as requested and received a 'significant assurance with minor improvements' (amber-green) assessment. Three recommendations were raised, one medium priority and two low priority. The Committee was pleased to note that the recommendations raised previously had either been implemented or were in progress and on track.

[e] The Committee expressed its thanks to the Joint Research Management Office staff for their work in implementing the recommendations and achieving a positive outcome.

Progress report on audit recommendations and areas of non-compliance [ARC2016/08]

2016.012 The Committee **received** the progress report on internal audit recommendations and areas of non-compliance. The following points were made:

[a] The Committee was pleased to note the large number of recommendations (27) that had been closed since the last meeting.

[b] The Committee drew attention to two long-standing recommendations: PRO05 relating to procurement; and BMF21 relating to the costing of courses. It was **agreed** that the Chief Operating Officer and the Finance Director would investigate the former case and report back to the Committee, and that the latter could be removed from the monitoring list in light of the work currently being undertaken at faculty level to analyse staff and other costs and inform contribution targets.

[c] The implementation of recommendation ROR05 was now overdue and required a new deadline to be proposed.

[d] The new deadline for the implementation of recommendation PART04 was **noted and agreed**.

[e] The Committee discussed how progress on audit recommendations could be reported most effectively. It was **agreed** to explore options offline and bring any proposals for a new presentation to a future meeting.

Actions: Chief Operating Officer and Finance Director [b]
Chief Operating Officer [c]
Chief Operating Officer liaising with Melissa Tatton [e]

Internal Audit Annual Report 2015-16 [ARC2016/09]

2016.013 The Committee **received** the Internal Audit Annual Report for 2015-16, incorporating the Head of Internal Audit Opinion. The following points were made:

- [a] Aside from the Maths Building Refurbishment Project review, which had been commissioned in exceptional circumstances, all other reviews conducted during 2015-16 had received positive verdicts.
- [b] With respect to the Maths Building Refurbishment Project review, it was noted that, once the issue had been identified, the appropriate action had been instigated at the highest level and that the resulting recommendations had already been implemented, or were being actioned. A follow up audit has been scheduled during 2016/17.
- [c] The Head of Internal Audit opinion would be appended to the Committee's Annual Report and the Committee was pleased to note that QMUL had been given a "significant with minor improvements required" assurance opinion in respect of the overall adequacy and effectiveness of its framework of governance, risk management and control.
- [d] Eight reviews, rather than the nine stated, had been completed and the Committee requested that this be corrected in the report.

Actions: KPMG [d]

Internal Audit services tender timetable and process [ARC2016/11]

2016.015 The Committee **received** the proposed timetable and process for tendering for internal audit services to take up appointment from 01 August 2017, without representatives of internal and external audit services present. The following points were made:

- [a] A sub-group, reporting to Audit and Risk Committee, would be established. The Committee **agreed** the proposed membership of the sub-group.
- [b] The timeline was ambitious and the time set aside for the approval stage was longer than that for preparation, evaluation and selection stages. Consequently there was some room for manoeuvre within the overall timeframe and the approval processes could be compressed if necessary.
- [c] The importance of the quality of the tender documentation was stressed and it was imperative that the sub-group had sufficient opportunity to comment.
- [d] Reflecting on the process for appointing external auditors, it would be important for any suppliers to appropriately demonstrate a desire to know QMUL and the challenges and opportunities specific to it.
- [e] The Committee **agreed** the process and timeline.

Part 6: Financial Control

Fraud/Financial irregularities occurring since the last meeting [Oral report]

2016.016 The Finance Director **reported** that there had been no cases of fraud or financial irregularities reported since the last meeting.

Part 7: Committee Management and Reporting

Audit and Risk Committee Annual Report for 2015-16 Draft 1 [ARC2016/12]

2016.017 The Committee **received** the draft Audit and Risk Committee Annual report 2015–16 and **noted** that it would be finalised after the next meeting of the Committee. Members were invited to send any comments on the draft to the Secretary.

Action: All members

*Draft Agenda for next meeting [ARC2016/13]

2016.018 The Committee **received** the draft agenda for the next meeting on 10 November 2016. The following points were noted:

- [a] No internal audit review reports were scheduled to be presented to the next meeting and it was **agreed** not to receive the update on internal audit recommendations again until the February meeting.
- [b] The *in camera* meeting with the external auditors would be scheduled to take place immediately after the next meeting of the Committee.