# Queen Mary
## University of London

# AUDIT AND RISK COMMITTEE
## Thursday 01 June 2017

## DRAFT UNCONFIRMED MINUTES

**Present:**

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| David Willis (Chair) | Kathryn Barrow | Monica Chadha |
| Melissa Tatton | | |

**In attendance:**

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| Sue Barratt (External Audit) | Paul Cuttle (Internal Audit) | Joanne Jones |
| Sian Marshall | Jonathan Morgan | Rachel Soper |
| Neil Thomas (Internal Audit) | Paul Thomas (External Audit) | Janice Trounson |

**Apologies**

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|---|---|---|
| Professor Edmund Burke | Nadim Choudhary | Laura Gibbs |

## Part 1: Preliminary Items

### Executive Summary and Minutes of the meeting 07 February 2017 [ARC2016/36]

2016.049    The Committee **confirmed** the executive summary, and the non-confidential and confidential minutes, of the meeting held on 07 February 2017.

### Matters Arising [ARC2016/37]

2016.050    The Committee **received** the following matters arising from the non-confidential minutes of the meetings held on 07 February 2017 and 10 November 2016.

### External audit plan 2016–17

[a]    The fees for the audit of the 2016–17 accounts had been agreed and it had been confirmed to Deloitte that no further audit work beyond the scope detailed in the external audit plan was required in respect of QM Research and Consulting (Hong Kong) Limited.

### Medical School in Malta

[b]    Adverse press coverage concerning the tendering process for the building contract had been minor and was not directed towards QMUL; the university would continue to monitor the situation.

### Cyber security

[c]    The protocols for removing access for staff leaving the university were being reviewed by the Chief Information Officer and the Director of Human Resources, who would report to the Committee at a future meeting.

[d] It was noted that QMUL's centrally-managed IT systems had resisted the recent ransomware attack as expected. The Chief Information Officer had reported that there had been effective cross-team working to bring this about. The Committee expressed its thanks to all those who had contributed to the effective management of the situation.

## Part 2: Risk Management

### Strategic risk management [ARC2016/38]

2016.051   The Committee **received** the updated Strategic Risk Register. The following points were made in discussion:

[a] The rising trajectory of the risk profile of the institution had been drawn to the attention of Council at its meetings on 26 October 2016 and 16 February 2017.

[b] In the latest update, the ratings for Risk 12 (cost control, value for money and expenditure) had been increased, placing it in the 'greater than 20% likelihood' range and 'catastrophic' impact level, even after the effects of controls were taken into account. It was unclear from the accompanying explanation whether the increases in fact related to cost control, or to student recruitment.

[c] The definition of 'catastrophic' impact adopted in the Strategic Risk Register included loss of income of 2% *per annum* for two consecutive years. Whilst a loss of income on this scale would present challenges, it was noted that action, such as cost reductions, could reasonably be taken in-year to mitigate it. Conversely, there were other situations, such as not complying with bank covenants or a requirement for immediate payback of a loan, which might be catastrophic.

[d] The difference between gross and residual risk ratings was minimal in a number of areas, prompting concerns that QMUL might not be obtaining value for money from efforts to mitigate risk, or might be understating the impact of actions taken. The Committee noted that no less than 9 out of 15 strategic risks had risk severity after controls rated as high (red). It was also noted that the overall risk profile as it was described in the Strategic Risk Register did not always correspond with other assurances given to Council by the executive about QMUL's responsiveness to the external environment.

[e] The Committee welcomed the proposed internal audit of risk management during 2017–18.

[f] It was **agreed** to ask the Strategic Risk Management Group to review the Strategic Risk Register and provide a report to the next meeting that addressed:

    i.    the definitions used in the Register and whether any changes to them should be considered;

    ii.   the accuracy of the Register;

iii. the effectiveness of actions that are being taken to reduce risk severity, including future plans where appropriate.

*Action    Council Secretariat to liaise with SRMG [f]*

**Whistleblowing cases since the last meeting**

2016.052    The Finance Director **reported** that there had been no cases reported under the Public Interest Disclosure Policy since the last meeting.

**Part 3: Internal audit**

**Internal audit reports [ARC2016/39]**

2016.053    The Committee **received** the following internal audit reports:
- Research degree data
- Budgeting and forecasting
- School of Languages, Linguistics and Film
- Animal welfare
- Capital projects

The following points were made in discussion:

[a] Each report had received an amber-green rating, indicating 'significant assurance with minor improvement opportunities', together with a small number of medium- and low-priority recommendations.

[b] Melissa Tatton had discussed the reports beforehand with the Chief Operating Officer. The outcomes were in line with management expectations and there were no particular areas of concern to bring to the Committee's attention.

[c] The review of capital projects included a report on the implementation of recommendations from the Maths Building refurbishment project. The Committee was pleased to see that lessons had been learned from the original project and that effective project governance was being embedded within QMUL. The internal auditors had made one further recommendation on project management, which the Chair discussed with the Treasurer before the meeting. It was **agreed** that this matter should be deliberated by the Estates Strategy Board and reported to the Finance and Investment Committee once decided.

[d] The Committee was reassured by the investigation into budgeting and forecasting processes and noted the recommendation, subsequently accepted, to eliminate the routine Forecast 1 exercise. The internal auditors noted a strong improvement in relation to budget setting and monitoring since their last internal audit review completed in 2012 and the Committee noted that some of the concerns of Council members arising in 2015-16 appeared to have been addressed satisfactorily. The Chair congratulated the Finance Director and her team for the improvements that made this possible.

[e] QMUL had not attracted any attention from animal rights activists in the last three years. Animal welfare would be included within the annual report on legal compliance considered by the Committee, and exception reports would be made to Council as appropriate.

[f] The review of research degree data was one source of information for the Committee to consider when forming its annual opinion on data assurance.

[g] It was confirmed that the financial performance of the School of Languages, Linguistics and Film was not within the scope of the school audit, but issues relating to forecasting student numbers and associated income were covered more generally within the budgeting and forecasting audit. The Committee encouraged QMUL to give further consideration to how the recommendations on school governance might be addressed across the institution ahead of the next school audit.

[h] The substantive work on the audit of student numbers was complete and the report was being finalised. It was **agreed** to circulate the report to members of the Committee by email as soon as it became available.

[i] Spare review capacity had been generated by combining the research degree data audit with the data quality audit. There had been discussion on conducting a review of UKVI Tier 2 compliance, but the scope and timing of this had not been finalised. The Committee asked that the review be completed ahead of its first meeting in 2017–18.

*Action*       *Council Secretariat to liaise with Secretary to ESB [c]*
         *Academic Registrar and Council Secretary [g]*
         *Council Secretariat to liaise with KPMG [h, i]*

**Internal audit plan 2017–18 [ARC2016/40]**

2016.054    *Minute 2016.054 is confidential.*

## Part 4: Statutory and Regulatory Compliance

**HEFCE assessments and reviews**

2016.055    The Committee **received** the outcomes of the annual provider review process [ARC2016/41a] and the funding data reconciliation exercise for 2015–16 [ARC2016/41b]. The following points were made:

[a] The annual provider review outcome letter replaced the annual institutional risk assessment by HEFCE. It drew together consideration of academic standards and financial sustainability, the former derived from the new academic assurance process in place of external Quality Assurance Agency (QAA) audits.

[b] The outcome of the 2016–17 annual provider review for QMUL was:

i.    'Not at higher risk' for financial sustainability, good management and governance;

ii.    'Meets requirements' for quality and standards matters.

[c]    HEFCE had shared with institutions the supplementary information it had used to inform its assessments. Student metrics included continuation rates and the National Student Survey 2016 score for overall satisfaction, which had been discussed in some detail at recent meetings of the Council.

[d]    *Minute 2016.055[d] is confidential.*

[e]    *Minute 2016.055[e] is confidential.*

[f]    *Minute 2016.055[f] is confidential.*

[g]    No action was required following the HESA reconciliation exercise for funding and monitoring data in 2015–16.

## Legal compliance [oral update]

2016.056    The Committee **received** an oral update on legal compliance from the Academic Registrar and Council Secretary. The following points were made:

[a]    External advice on the content and currency of the legal compliance register had been received confirming the general coverage, providing some health and safety updates and suggesting the following areas be addressed in the annual legal compliance report this year:

- fundraising and alumni with respect to direct marketing;
- the apprenticeship levy;
- gender-based violence;
- procurement and anti-bribery law.

[b]    The General Data Protection Regulation (GDPR) would come into effect May 2018. Changes from existing legislation included: a greater emphasis on accountability; the need for greater transparency in relation to the collection and use of data, including securing consent; the definition of personal data; and tougher penalties for breaches.

[c]    Three strands of activity in preparation for the GDPR coming into effect were under way: work related to policy and information, for example reviewing and update privacy and fair processing notices; training; and a data mapping exercise to investigate what is being collected, where it is stored and how it is being used. The data mapping exercise would bring added value to the planning of future system developments as well increased engagement with users. Progress would be communicated to the Committee as part of the legal compliance report in October 2017.

## Part 6: Financial Control

## Fraud/Financial irregularities occurring since the last meeting

2016.057    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

**Committee terms of reference, membership and effectiveness review [oral report]**

2016.058    The Committee **received** an oral update on the process for reviewing the terms of reference, membership and effectiveness of the Committees. The annual effectiveness survey would be conducted at the end of the cycle during the summer and the terms of reference reviewed at the first meeting in 2017–18.

**Annual schedule of business 2017-18 [ARC2016/42]**

2016.059    The Committee **received** the draft schedule of business for 2017-18. The following points were made in discussion:

[a]    The Committee had not received any deep dive reports this year, but was content that the internal audit review of risk management would investigate the extent to which good risk management practice was embedded throughout the institution. Returning to its earlier discussion on the Strategic Risk Register, the Committee discussed how it could gain assurance, from a governance perspective, that Risk 12 was being managed appropriately, and concluded that it would consider this in the context of the annual value for money report in autumn 2017.

[b]    There were some available slots within meetings to discuss emerging and topical issues, such as the presentations on cyber security and social media, which the Committee had found to be informative and useful. Members expressed a wish to receive presentations from the Chief Information Officer, the Director of Human Resources and the Director of Marketing and Communications when in post, noting that the meeting of Council in October 2017 would include a series of presentations, the details of which were still to be confirmed.

[c]    It was **agreed** to update the schedule taking account of the feedback of members, adding the timing of internal audit reports and the annual HEFCE assessments to the summer meeting.

*Action     Council Secretariat [c]*

**Draft Agenda for next meeting [ARC2016/43]**

2016.060    The Committee **received** the draft agenda for the next meeting on 02 October 2017 and requested that it be updated to reflect the revised schedule of business.

*Action     Council Secretariat*

**Any other business**

2016.061    **Internal audit recommendation tracker**

It was **agreed** that there should be further discussion about how this should be managed and reported to the Committee, noting that KPMG had offered through the tender process to contribute to this work.

*Action        Melissa Tatton, Chief Operating Officer, KPMG*