

AUDIT AND RISK COMMITTEE
Tuesday 14 November 2017

DRAFT UNCONFIRMED MINUTES

Present:

David Willis (Chair)
Nadim Choudhary

Kathryn Barrow
Melissa Tatton

Monica Chadha

In attendance:

Professor Colin Bailey
Paul Cuttle (Internal Audit)
Nadine Lewycky
Catherine Murray
Paul Thomas (External Audit)

Sue Barratt (External Audit)
Laura Gibbs
Siân Marshall
Julian Reeve (External Audit)
Janice Trounson

Professor Edmund Burke
Joanne Jones
Jonathan Morgan

Apologies

Neil Thomas (Internal audit)

Part 1: Preliminary Items

Welcome

2017.018 The Chair welcomed Julian Reeve from Deloitte LLP to the meeting.

Executive Summary and Minutes of the meeting 02 October 2017 [ARC2017/14]

2017.019 The Committee **confirmed** the Executive Summary, non-confidential and confidential minutes of the meeting on 02 October 2017.

Matters Arising [ARC2017/15]

2017.020 The Committee **received** the following matters arising from the non-confidential minutes of the meeting on 02 October 2017.

Strategic Risk Register

- [a] The Committee **agreed** to receive a deep dive on IT/business continuity from the Chief Information Officer at its meeting in March 2018.
- [b] The Committee **agreed** to receive a deep dive on student experience, focusing on a priority area such as retention, employability or student satisfaction within a particular faculty. The Chief Operating Officer would liaise with the Vice-Principal for Student Experience, Teaching and Learning to identify a specific topic for the deep dive.
- [c] The Committee acknowledged that for a deep dive to be effective, members would need the opportunity to scrutinise a written report in

advance of a presentation. It was **agreed** that deep dive presentations should be accompanied by additional reading provided prior to the meeting, such as a copy of a relevant strategy and risk register or a summary of the management of risks and controls in the particular area.

Legal compliance report

- [d] The Committee **received** an updated summary of the Fire Safety Cladding Inspection Results and Action Plan. It was agreed that the Director of Health and Safety and the Director of Estates and Facilities would attend the next Committee meeting to provide a further update.
- [e] The Committee noted that the inspection had been carried out by Arup, by whom Nadim Choudhary was employed, but this did not represent a conflict of interest.

Update on potential fraud in the Faculty of Science and Engineering

[f] *Minute 2017.020 [f] is confidential.*

Actions:

[a] Chief Information Officer

[b] COO, VP SETL

[c] Council Secretariat

Part 2: External Audit

Audited Financial Statements 2016-17 [ARC2017/16]

2017.021 The Committee **considered** the draft audited financial statements 2016-17. The following points were noted:

- [a] The statements were undergoing final review by Deloitte LLP and the Finance Department, but it was not expected that there would be material changes at this stage. It was noted that there were some minor changes to be made arising from review by FIC and from the Committee chair.
- [b] There had been no changes or issues relating to the application of accounting policies in the past year.
- [c] The Committee **agreed** that the Strategic Review should include a section outlining the principal risks facing the organisation. The Committee **agreed** to recommend the audited Financial Statements to Council subject to this amendment.

Action: [c] Director of Finance, Council Secretariat

External Audit Report on Financial Statements 2016-17 and Representation Letter [ARC2017/17]

2017.022 The Committee **considered** the external audit report on the Financial Statements 2016-17 and the draft Letter of Representation. The following points were noted:

- [a] Deloitte reported that the audit had not highlighted any significant issues. The report was still in draft, but there was nothing to report from the continuation of their work. The External Auditors commended the Finance Department for the production of high quality Financial Statements.
- [b] A recommendation had been made in relation to accounting for research grant income. Purchase orders had not been raised and goods receipted prior to year-end which meant that expenditure had not been recognised in the correct year. The Finance Directorate was working with the Joint Research Management Office to ensure that the correct accounting procedures were followed.
- [c] The External Auditors had identified a non-material amount of expenditure that had been treated as capital but was considered to be revenue in nature. The Finance Directorate had disagreed with this conclusion given that the costs were directly attributable to the capital project. Deloitte would review the treatment of demolition costs on future projects on a case by case basis with Finance.
- [d] A paragraph on page 8 of the report appeared to be incomplete. The External Auditors would review the text and report if there was anything significant missing.
- [e] A revaluation of the estate had been undertaken as part of the introduction of FRS102. However, it had not been possible to assign values to individual elements of major assets within the fixed asset register. As a result it could be difficult to ensure that disposals were identified at the appropriate time where replacement/refurbishment projects were undertaken. This was a historic issue which would be addressed when assets were fully depreciated and removed from the fixed asset register.
- [f] The External Auditors gave a presentation on the key regulatory challenges facing the Higher Education sector, and highlighted the introduction of the General Data Protection Regulation in May 2018 as a major challenge. A one-page update on QMUL's preparations for the GDPR along with an updated risk register would be considered by the Committee at its next meeting.
- [g] The Committee **noted** the contents of the External Auditors report.
- [h] The Committee requested that in future the Executive include on the coversheet to the Financial Statements details of the key areas of accounting judgement in preparing the Financial Statements and report on any discussion relating to these key areas of accounting judgement at QMSE.

Letter of Representation

- [i] It was noted that the Letter of Representation contemplated signature on behalf of Council and that Council members were asked to confirm the representations to the best of their knowledge and belief after adequate enquiries of management and staff. The Committee sought and received specific assurances from the Chief Operating Officer, the Director of

Finance, the President and Principal representing QMSE, and the Academic Registrar and Council Secretary that the Letter of Representation could be signed on behalf of Council.

- [j] The Committee **approved** for recommendation to Council the Letter of Representation subject to amendments to the numbering on page 3. The Committee noted that the letter was required by the External Auditors but did not require submission to HEFCE as stated on the cover sheet.
- [k] The Committee recorded that Melissa Tatton, as the Chief Executive for the Valuation Office Agency at HMRC, had not provided any advice in relation to point 11 of the letter regarding tax provision.

Actions:

[d], [j] Deloitte

[f] Council Secretariat

[h] Finance Director

Part 3: Statutory and Regulatory Compliance

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

2017.023 The Committee **received** a presentation from the Director of Strategic Planning on data quality and returns to HEFCE, HESA and the SLC. The following points were noted:

- [a] The systems and processes for the production of data for external returns were sound. However, there were some instances where locally-held datasets increased the risk of inconsistency with the data held on central systems. The introduction of the GDPR has provided additional impetus for reducing the likelihood of errors occurring when making external returns. Work is being done with IT to ensure that Schools and Institutes can access the information and data as required which will eliminate the need for data to be held locally.
- [b] Based on the information received, the Committee confirmed that it was satisfied with the adequacy and effectiveness of the arrangements for the management and quality assurance of data returns to external bodies.

Value for Money Annual Report [ARC2017/18]

2017.024 The Committee **considered** the Value for Money annual report. The following points were noted:

- [a] The report showed how QMUL was promoting value for money in 2016-17 and 2017-18. Last year, an analysis of TRAC and benchmarking data was used to inform targets for the planning round and to identify opportunities for process improvement. New initiatives planned for 2017-18 included the Professional Services change programme; the adoption of a new cash generation target; and the development of an information management dashboard.

- [b] Unlike last year, QMUL was not required to submit a full report on VfM to HEFCE, but would be required to submit the Annual Efficiency Return by the end of January 2018. Although this deadline was before the next Committee meeting, the Committee would have the opportunity to review the submission retrospectively at its meeting in March 2018. The Committee **agreed** that Monica Chadha, as external lead on the Committee for value for money, would be asked to review the return prior to its submission.
- [c] HEFCE had revised its definition of VfM to encompass the four 'E's': economy (spending less), efficiency (spending well), effectiveness (spending wisely) and equity (spending fairly).
- [d] The Committee noted there was some lack of clarity regarding the metrics that were being used to demonstrate Value for Money at QMUL and to which the Committee could hold QMSE to account. Cash generation targets had been identified as one appropriate metric by QMSE, but staff costs as a percentage of income and surplus as a percentage of turnover were still referenced within the VfM report and the Financial Statements. For the purposes of clarity, it was **agreed** that the report would be amended.
- [e] It was also **agreed** that QMSE would propose an appropriate measure or measures to evaluate QMUL's underlying performance in achieving VfM for consideration by the Committee later in the financial year.
- [f] The Committee noted the opinion from the Internal Auditors and the detailed examples of VfM activities set out in an appendix to the report. It was satisfied that the report provided evidence of progress in embedding value for money within QMUL activities and processes, particularly as part of the annual planning process, although it was noted that actions to address some of the issues identified through benchmarking were still in the course of development and/or implementation.

Actions:

[b] Chief Operating Officer

[d] Chief Operating Officer

[e] QMSE

Annual Report on Prevent Duty [ARC2017/19]

2017.025 The Committee **considered** the Annual Report on the Prevent Duty. The following points were made:

- [a] The risk register had been updated to show a reduced risk in some areas. This reflected the fact that there was greater institutional awareness of the Prevent Duty, and that there had been an opportunity to evaluate the arrangements for compliance over this time.
- [b] Effective policies and procedures were in place related to external speakers and events, safeguarding, internet filtering and acceptable use of IT that were continuing to be implemented.

- [c] Enhanced training for staff would be taking place over the coming year in collaboration with the Regional Prevent Coordinator.
- [d] It was reported that there was good engagement with QMSU on the development and implementation of relevant policies, especially where these related to student welfare and events management.
- [e] It was confirmed that there had been no unreported incidents or changes to policy since the report had been prepared.
- [f] The Committee **agreed** that the arrangements for complying with the Prevent Duty were satisfactory and recommended that Council could make the required assurances to HEFCE.

Part 4: Financial Control

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

2017.026 *Minute 2017.026 is confidential.*

Part 5: Risk Management

Whistleblowing cases since the last meeting [Oral report]

2017.027 *Minute 2017.027 is confidential.*

Part 6: Committee Management and Reporting

Audit and Risk Committee Annual Report 2016-17 Draft 2 [ARC2017/20]

2017.028 The Committee **considered** the second draft of the Committee's annual report. The following points were noted:

- [a] 5.2 should read the 'External Audit Plan for 2016-17'.
- [b] A sentence on the Committee's view of the smooth transition of the new President and Principal should be included in 14.1.
- [c] Additional context should be included in 13.1.3 to clarify that the responsibilities of the Committee include giving assurance about the accuracy of data provided to external agencies, rather than the protection of the data.
- [d] The Committee **agreed** that the final draft of the report would be circulated to members following the meeting for approval.

Actions:

[a] - [d] Council Secretariat

Committee Effectiveness Report [ARC2017/21]

2017.029 The Committee **considered** the Committee Effectiveness Report and discussed proposals for improvement. The following points were noted:

- [a] The results of the survey showed that the Committee was working effectively, but some areas for improvement had been identified.
- [b] The Committee **agreed** that it would be beneficial to learn about best practice in audit committees at other institutions. This knowledge could be gained by bringing in speakers from other institutions. The Committee **agreed** that it would also request feedback from the External and Internal Auditors during the annual *in camera* meetings.
- [c] The response rate to the survey by regular attendees to the Committee was lower than expected. The Committee **agreed** that it was preferable to deliver feedback through one-to-one meetings with the Chair or secretariat, rather than by electronic survey. It was noted that this had already been discussed by Governance Committee and would be take forward in the coming year.
- [d] The Chair **agreed** to meet with co-opted members of the Committee in the next few months to review their performance and to discuss Committee effectiveness.

Actions:

[b], [c] Council Secretariat

[d] Chair, Council Secretariat

***Draft Agenda for next meeting [ARC2017/22]**

2017.030 The Committee **received** the draft agenda for the next meeting on 8 March 2018.