

**AUDIT AND RISK COMMITTEE**  
**Thursday 04 October 2018**

**CONFIRMED MINUTES**

**Present:**

David Willis (Chair)  
Melissa Tatton

Monica Chadha  
Peter Thompson

Nadim Choudhary

**In attendance:**

Professor Colin Bailey

Paul Cuttle (Internal Audit)

Jonathan Gooding (External  
Audit)

Joanne Jones  
Dr Catherine Murray

Dr Nadine Lewycky  
Julian Reeve (External Audit)

Jonathan Morgan  
Professor Bill Spence [minute  
2018.011 only]

Neil Thomas (Internal Audit)

Janice Trounson

**Apologies**

Kath Barrow

Laura Gibbs

**Part 1: Preliminary Items**

**Welcome**

2018.001 The Chair welcomed everyone to the meeting.

**Executive Summary and Minutes of the meeting 14 June 2018 [ARC2018/01]**

2018.002 The Committee **confirmed** the non-confidential and confidential minutes and **noted** the executive summary of the meeting on 14 June 2018.

**Matters Arising [ARC2018/02]**

2018.003 The Committee **received** a report on the matters arising from the minutes of the meeting on 14 June 2018. The following points were noted in discussion.

**Deep dive: Student experience (retention) [ARC2017/39]**

[a] Professor Stephanie Marshall, Interim Vice-Principal (Education), would present on the Going for Gold project and work being done to improve student retention at the Council meeting in November.

**Internal audit report: Staff recruitment [ARC2017/31]**

[b] The Human Resource Directorate had provided the total number of grievances received about Queen Mary's employment procedures or policies in 2017–18. A breakdown of the number of cases that raised

equality and diversity issues would be circulated to the Committee following the meeting.

*Action: Director of HR [b]*

### **Horizon Scanning [ARC2018/03]**

2018.004 The Committee **received** a report from the President and Principal describing possible changes in the external environment. The following points were noted in discussion.

- [a] The post-18 education review and the ONS review of the accounting of student loans both posed a threat to the future funding of universities. Income levels at Queen Mary might be maintained by increasing student numbers, but there was increasing competition within the UK for overseas and postgraduate students who pay unregulated fees, and current immigration policy was making UK higher education a less attractive option for overseas students compared to systems in some other countries. Despite these challenges, Queen Mary had recruited well from overseas markets in the most recent cycle and bookings for the next undergraduate Open Day were up 12% on the previous year. Work was under way to encourage more students from the Joint Programmes in China to progress onto postgraduate programmes on our London campuses.
- [b] The Brexit negotiations continued to leave uncertainty about the future of research funding, the recruitment of EU students and the status of staff members from the EU. The government had indicated a willingness to pay for participation in the next EU research funding scheme, after the end of Horizon 2020, but this would be on the basis that UK institutions would not have a say in the allocation of funds and could not receive more funding in total than was paid in by the government.
- [c] The regulatory environment under the Office for Students was characterised by increased challenge and scrutiny, marking a distinct shift from the approach under HEFCE. Universities were subject to greater accountability to deliver value for money and improve the student experience. Institutions which failed to meet their financial targets would be allowed to fail.
- [d] Although the industrial action that arose earlier in the year grew out of a dispute over the USS pension scheme, discussions with members of staff at the time also highlighted concerns over pay, insecure contracts, and equality and diversity. QMSE was seeking assurance that non-permanent contracts were only being used where appropriate. Relations between QMSE and the Students' Union were positive and had led to a number of joint improvement projects.
- [e] It would become increasingly important for Queen Mary to work with sector-wide organisations to improve the public perception of the higher education sector. It was noted that the Director of Marketing and Communications would be presenting on the new brand narrative at the next Council meeting, and that key facts about Queen Mary would be circulated in due course, in order to assist Council members in their important ambassadorial role.

- [f] A paper would be brought to the Committee in due course on the outcome of current contingency planning work. It was noted that current work to improve the university's financial resilience by holding the faculties to their cash generation targets would continue to be important.
- [g] The Committee thanked the President and Principal for his report and noted that it was a time of particular uncertainty for the sector. This would need to be reflected in Queen Mary's risk appetite and in the Strategic Risk Register.

*Action: Council Secretariat [f]*

## **Part 2: Risk Management**

### **Strategic Risk Management [ARC2018/04]**

2018.005 The Committee **received** a paper setting out a revised approach to risk management, together with a draft risk appetite statement. The following points were noted in discussion.

- [a] A more rigorous approach to risk management was being adopted based on previous feedback from the Committee. The Strategic Risk Register was being revised to improve its use as a management tool, with risk owners required to complete a template outlining key risks, mitigating actions and deadlines, and QMSE had resolved to review strategic risks on a more regular basis. The Committee would continue to receive the Strategic Risk Register on three occasions each year and would be provided with an update at its next meeting.
- [b] A statement on the university's risk appetite had been drafted in response to a recommendation from the 2017–18 internal audit on risk management. Revisions were suggested to improve clarity in terminology and the Committee encouraged the executive to reflect on the priorities between different types of risk as well as the breadth of appetite for risk that had been defined in some areas. Members were invited to send further comments to the Director of Strategic Planning outside the meeting, with a view to a revised draft being considered by the Committee at its next meeting.

*Action: Director of Strategic Planning [a, b]*

### **Whistle blowing cases since the last meeting: Summary of disclosures 2017–18 [ARC2018/05]**

2018.006 *Minute 2018.006 is confidential.*

## **Part 3: Statutory and Regulatory Compliance**

### **Annual report on research integrity [ARC2018/06]**

2018.007 The Committee **considered** a report on research integrity in the academic year 2017–18. The following points were noted in discussion.

- [a] It was a requirement for the annual statement to include information about activities that had been undertaken to improve understanding of research

integrity within the university. The processes for ensuring proper oversight of research integrity had been the subject of a Task and Finish Group earlier in the year. This had resulted in some changes to policies which would be considered by Senate in November.

[b] *Minute 2018.007[b] is confidential.*

*Action: VP (Research), Council Secretariat [b]*

#### **Update on Health and Safety compliance [ARC2018/07]**

2018.008 The committee **considered** an update on health and safety compliance. The following points were noted in discussion.

- [a] During a scheduled audit of asbestos management, small amounts of asbestos containing materials had been found on the floor in two plant areas. An investigation revealed that there was a low risk to individuals, but further external checks were being conducted to understand the level of any risk to contractors and maintenance staff working in those areas. The mechanisms being employed by staff in frontline compliance roles had been robust but issues were highlighted around the time lag in sharing and understanding information up the compliance management structure. An interim asbestos manager had been appointed and the lessons learned would be applied also to fire and water compliance management. The Committee would receive annual reports on health and safety and legal compliance at its next meeting.

#### **Part 4: External audit**

##### **External audit 2016–17 management letter: progress report on actions [ARC2018/08]**

2018.009 The Committee **received** a report of progress implementing the recommendations in the external audit 2016–17 management letter. The following points were noted in discussion.

- [a] It was noted that two actions from the 2016–17 were still in progress. The fixed asset register had been updated, but the physical count was yet to take place. The capitalisation of non-material revenue expenditure was yet to be completed for projects which had been changed or aborted. These changes would not be material to the accounts.

##### **External audit 2017–18 interim comments [Oral report]**

2018.010 The Committee **received** an update on the external audit 2017–18. The following points were noted in discussion.

[a] The team had been working well together and no areas of concern had been raised so far. Deloitte had changed its approach this year, including changes to the team and timing of the audit, taking more on subsidiaries earlier in the year. Discussions on accounting judgments would be held with Kath Barrow prior to the next meeting.

[b] Benchmarking on the previous year's annual report had shown that the number of risks reported by universities across the sector varied between two and 12, with Queen Mary reporting three. The direction of travel was to add more information about how risks were being mitigated.

## Part 5: Internal audit

### Planned internal audit reports: Preparing for REF (2017–18) [ARC2018/09]

2018.011 The Committee **considered** an internal audit report on Preparing for REF 2021. The report gave a rating of significant assurance (green), with two low priority recommendations which were being implemented. The Committee commended the Vice-Principal (Research) and his team for their excellent work.

### Progress report on internal audit recommendations [ARC2018/10]

2018.012 The committee **considered** the internal audit recommendation tracking report. The following point was noted in discussion.

[a] The deadline for responding to the recommendation on gateway processes on capital estates projects from the 2016–17 audit had been extended a number of times. The Committee requested a fixed deadline from management for its completion, to be reported under matters arising at the next meeting.

[b] The Committee was satisfied that the new recruitment policy being developed by the Human Resources Directorate would address the recommendations.

*Action: Director of Estates and Facilities [a]*

### Internal audit annual report 2017–18 [ARC2018/11]

2018.013 The Committee **considered** the internal audit annual report, including the Head of Internal Audit opinion, which concluded that Queen Mary has a generally sound system of risk management, control and governance which is designed to meet Queen Mary's objectives and that internal controls in place are being consistently applied in all key areas reviewed (significant assurance with minor improvement required).

## Part 6: Financial control

### Value for Money annual report [ARC2018/12]

2018.014 The Committee **received** an oral update on Value for Money reporting. The following points were noted in discussion:

- [a] It was reported that the Office for Students had reduced the requirements for external reporting on value for money, placing greater emphasis on assurances from governing bodies. The Committee agreed that it would base its assurances in relation to the academic year 2017–18 on the Head of Internal Audit's opinion and a report, to be circulated in advance of the next meeting, focusing on the value for money metrics that had been identified earlier in the year. The Committee noted that more regular opportunities to discuss how projects bring value to the university would help it to form a more complete view of the arrangements in place to promote economy, efficiency and effectiveness.

*Action: Council Secretariat*

### **Fraud/financial irregularities occurring since the last meeting [Oral report]**

2018.015 *Minute 2018.015 is confidential.*

## **Part 7: Committee Management and Reporting**

### **\*Audit and Risk Committee annual report 2017–18 Draft 1 [ARC2018/13]**

2018.016 The Committee **noted** the first draft of the annual report.

### **\*Draft Agenda for next meeting [ARC2018/14]**

2018.017 The Committee **received** the draft agenda for the next meeting on 14 November 2018.