

AUDIT AND RISK COMMITTEE
Wednesday 10 September 2014

CONFIRMED MINUTES

Present:

David Willis (Chairman) Kathryn Barrow Elizabeth Hall

In attendance:

Professor Susan Dilly Clive Everest (External Francesca Gliubich [Item 7]
Audit)
David Marks Sian Marshall Jonathan Morgan
Marion Richards [Item 4] Nick Rolfe (Internal Audit) Hayley Simpson (Secretary)
Mike Shore-Nye Jane Tirard Janice Trounson

Apologies

Claire Eustace (External Audit) Simon Linnett Melissa Tatton
Neil Thomas (Internal Audit)

Part 1: Preliminary Items

2014.001 The Chairman:

- [a] welcomed members and attendees to the meeting;
- [b] welcomed Sian Marshall who had been appointed as Assistant Registrar (Council and Governance) from 01 November 2014 and Hayley Simpson who was attending her first meeting as Committee Secretary;
- [c] reminded members that the new HEFCE Memorandum of Assurance and Accountability replaced the HEFCE Financial Memorandum from 01 August 2014; a paper highlighting any relevant changes would be provided at the next meeting if required.

Executive Summary and Minutes of the meeting 04 June 2014 [ARC2014/01]

2014.002 The Committee **confirmed** the Executive Summary and non-confidential and confidential minutes of the meeting on 04 June 2014.

Matters Arising [ARC2014/02]

2014.003 The Committee **noted** the following matters arising from the minutes of the meeting on 04 June 2014.

Minute 2013.056 Fire Safety Report

At the meeting in June, the Committee heard that £3.6m of the Estates long-term maintenance backlog related to fire safety, with plans to complete all work within three years. A summary of interim risk management measures to address this had been included in the Health and Safety 'deep dive' paper [ARC2014/03].

Minute 2013.065 Anti-bribery and Corruption Compliance Policies Update [ARC2013/35]

The Committee **noted** an update on progress with training in three schools which had low compliance scores (Dentistry, Economics and Finance, and Physics and Astronomy). Physics and Astronomy had provided an updated figure of 53% compliance, but Committee members judged this to be unsatisfactory and **agreed** that the Head of School or the Executive Dean should attend the next Committee meeting if the School's compliance score had not notably improved by then.

*Actions:
Council Secretariat*

2013.003 Update on plans for the external audit and any headline issues [ARC2013/17]

In addition, the Committee **noted** that the policy on using external auditors for non-audit services, which had been approved at the meeting on 14 November 2013, had since been implemented as a formal process.

Part 2: Risk Management

Deep dive risk report: Health and Safety [ARC2014/03]

2014.004 *Minute 2014.004 is confidential.*

Strategic Risk: Biannual report for Council [ARC2014/04]

2014.005 The Committee **approved** the biannual report on strategic risks for Council.

- [a] The Committee discussed whether the current reporting arrangements should continue following the implementation of the new Strategic Risk Register and developments in the process of capturing and reporting on risk. It was noted that Council also receives an executive summary of each Committee meeting and the Annual Report.
- [b] The Committee **agreed** that the Secretariat would seek the views of Council, while noting that the emphasis should be on providing Council with relevant and timely updates, including the outcomes of any 'deep dive' reports.
- [c] Following a discussion about the robustness of QMUL's arrangements for monitoring changes to the risk register, it was **agreed** that in future the

Committee would receive at each meeting the documents that are considered by the Strategic Risk Management Group, in order to monitor progress throughout the year.

- [d] Copies of the current Strategic Risk Register were tabled at the meeting. It was **agreed** that the risk appetite line should be removed from the risk matrix as there was concern that it was open to misinterpretation.

Actions:

[b] *Council Secretariat*

[c] *Vice-Principal (Teaching and Learning); Council Secretariat*

[d] *Deputy Director of Strategic Planning*

Insurance arrangements as risk mitigation 2014-15 [ARC2014/05]

2014.006 *Minute 2014.006 is confidential.*

SMD Partnerships with Barts Health and UCLP [ARC2014/06]

2014.007 The Committee **approved** a paper addressing the concerns raised in an Internal Audit report in February 2013 and a subsequent Committee meeting in November 2013 about the arrangements for obtaining maximum value for QMUL from the links with Barts Health NHS Trust and UCL Partners (UCLP).

- [a] The Committee welcomed the establishment of a Service Level Agreement with Barts Health NHS Trust and the additional clarity and formality that it brought to the relationship. The Committee noted the governance arrangements and other mechanisms for information sharing and joint decision taking.

- [b] The Associate Director (Partnerships) for the School of Medicine and Dentistry reported on the positive impact of the two links on grant applications and QMUL's external profile. Long-term objectives for the relationships had been developed in 2013–14 and an effective process had been established to identify and exploit opportunities arising from them. The UCLP Academic Health Science Centre and the new Cardiac Centre at St Bartholomew's were cited as an example of what can be achieved more easily through collaborative working practices.

Whistleblowing cases [Oral report]

2014.008 The Finance Director **reported** that there had been no cases under the Public Interest Disclosure Policy since the last meeting.

Part 3: Statutory and Regulatory Compliance

Legal compliance exceptions report [ARC2014/07]

2014.009 The Committee **noted** a report on statutory and regulatory compliance.

- [a] The Committee noted the improvement in the number of areas of 'serious' non-compliance compared with previous reports.
- [b] The process depended on self-assessments by policy owners, but members were reassured that these had been reviewed by senior officers and members of the executive before final submission to the Committee. There were some variations in terms of the layout of the reports owing to separate consideration of the Estates report by QMSE.
- [c] The Chief Operating Officer **reported**:
 - (i) the Freedom of Expression policy was approved in March 2014 and would be linked to an overall events policy; an online application was being tested which would provide more useful information about events and the individuals involved;
 - (ii) QMSE would receive an updated Child and Vulnerable Safeguarding policy at the meeting on 23 September 2014;
 - (iii) there had been a recent meeting to discuss professorial salaries in the context of equal pay and the outcomes of work to review salary scales would be shared with the External Auditors; meanwhile no claims had been received.

Action:
[c.iii] Chief Operating Officer

Part 4: Internal and External Audits

Progress report on audit recommendations and areas of non-compliance [ARC2014/08]

2014.010 The Committee **noted** the progress report on internal audit recommendations and areas of non-compliance.

- [a] The Chief Operating Officer provided the following updates:
 - (i) a revised deadline for recommendations from the Research Income Internal Audit was yet to be determined;
 - (ii) the networks team had tested and implemented the manual process for firewall synchronisation in August 2014, with the result that the item could be considered closed;
 - (iii) an update on Child and Vulnerable Adult Safeguarding and Equality

legislation had been provided in the legal compliance exceptions report.

- [b] Members **agreed** that in future the report should include more contextual information about deadlines and the prioritisation of individual actions by the Auditors.
- [c] The Committee acknowledged that the number of open items would vary depending on the time of year, but asked that increased efforts be made before the next meeting to close items for which revised deadlines had already passed.

Actions:

- [b] *Council Secretariat*
- [c] *Chief Operating Officer*

External Audit 2013 Management Letter: Progress report on actions [ARC2014/09]

2014.011 The Committee **noted** a letter outlining progress with recommendations contained in the 2013 External Audit management letter. The Deputy Director (Financial Control) reported that good progress was being made and that the creation of a register of contracts and leases remained a high priority.

External Audit reports [ARC2014/10]

2014.012 The Committee **noted** two publications from PwC: 'Building Digital Trust – IS and IT challenges for higher education institutions' and 'More than just numbers – FRS 102 and the new education SORP'.

- [a] The Finance Director reported that preparations were underway for the transition to FRS 102 and the new SORP. This included the deployment of additional resources, staff training and changes to the annual leave year to coincide with the financial year. The estimated figure for un-taken annual leave and the impact this will have on the financial results will be calculated in due course. The initial recognition of this liability will be the most significant; future years will reflect the incremental change only.
- [b] There will be a number of changes to the way in which liabilities, such as pension liabilities are calculated. The impact on both the Income and Expenditure Account and the Balance Sheet is not yet known however will be significant initially. This however will be true across the HEI sector. As a result of these accounting changes there will be more fluctuations on the balance sheet and year-on-year results. Finance will work with the banks to consider implications for loan covenants with them. The Committee was assured that HEFCE was already aware of the scale of these accounting changes.
- [c] At the suggestion of the External Auditors, it was **agreed** that the Committee should review the impact of FRS 102 and the new SORP on the Balance Sheet at a future meeting. Members suggested that a dedicated briefing

would be helpful, possibly together with members of Finance and Investment Committee.

Action:

[c] Finance Director, Council Secretariat

Progress report on 2013–14 Financial Statements [Oral Report]

2014.013 The Committee **received** an oral report on progress to date on the 2013–14 Financial statements. PwC had commenced work on the subsidiaries and work on QMUL was imminent. There was nothing of concern to note so far and the Committee would receive a draft of the Financial Statements at the next meeting.

Review of Internal and External Auditor appointments [ARC2014/11]

2014.014 *Minute 2014.014 is confidential.*

Part 5: Committee Management and Reporting

Annual Report 2013–14 for Council Draft 3 [ARC2014/12]

2014.015 The Committee **noted** the third draft of its Annual Report to Council for 2013–14. The Committee would receive the final draft for consideration at the meeting in November. Members were invited to send any comments in advance to the Secretariat.

Review of Terms of Reference and Committee Membership 2014–15 [ARC2014/13]

2014.016 The Committee **considered** proposals on amendments to its terms of reference.

- [a] The Committee was satisfied that the proposed amendments covered potential gaps relating to the frequency with which audit services should be reviewed. It was **agreed** to remit the proposals to Governance Committee.
- [b] There was concern about reaching quorum at Committee meetings since Tony Walker had stepped down in August 2014. Members were assured that discussions were underway to identify a replacement member and that Governance Committee would recommend an appointment to Council.
- [c] The Academic Registrar and Council Secretary informed members that David Fletcher had been appointed to lead the Council effectiveness review, which would extend to sub-committees of Council. The review would comprise a desk-based review of policies and procedures, a questionnaire for members, possible observations of meetings, and meetings with members. The final report was expected in January 2015.
- [d] The Committee **agreed** that it should continue to carry out its own annual effectiveness review and asked the Academic Registrar and Council Secretary to liaise with the external reviewer in order to minimise any unnecessary overlap. The Chairman asked the Secretariat to invite all individuals who regularly attend Committee meetings, including the Auditors, to participate in

the Committee's own review.

Actions:

[d] Council Secretariat

Agenda for next meeting

2014.017 The Committee **noted** the agenda for the meeting on 05 November 2014.

Any other business

2014.018 The Committee **noted** the following points:

- [a] The closed meeting for External auditors and Committee members would be held after the Committee meeting in November.
- [b] KPMG advised that there were slight changes expected to the scheduling of Internal Audit reports for the November meeting owing to delays on staff development spends. Members emphasised the need to follow the schedule where possible to avoid receiving an excessive number of reports later in the academic year. KPMG would keep the Secretariat informed of progress and any potential set-backs.
- [c] Future 'in-camera' meetings with the Internal Auditors should be held after the Committee has received the Internal Auditor's annual report.

Actions:

[b] KPMG

[c] Council Secretariat