

AUDIT AND RISK COMMITTEE
Monday 14 September 2015

DRAFT UNCONFIRMED MINUTES

Present:

David Willis (Chairman)	Kathryn Barrow	Elizabeth Hall
Melissa Tatton		

In attendance:

Sue Barratt (External Audit)	Eleanor Crossan	Paul Cuttle (Internal Audit)
Professor Simon Gaskell	Joanne Jones	David Marks
Jonathan Morgan	Mike Shore-Nye	Neil Thomas (Internal Audit)
Paul Thomas (External Audit)	Janice Trounson	

Apologies

Richard Learwood	Simon Linnett	Sian Marshall
------------------	---------------	---------------

Part 1: Preliminary Items

2015.001 The Chair welcomed the President and Principal, noting that he would be attending meetings of the Committee until responsibility for strategic risk management is delegated to one of the Vice-Principals.

Executive Summary and Minutes of the meeting 03 June 2015 [Paper ARC2015/01]

2015.002 The Committee **confirmed** the executive summary, non-confidential and confidential minutes of the meeting held on 03 June 2015, subject to the following amendments:

[a] Minute 2014:084[e] should make clear that consideration of the accounting treatment of the QMB Innovation Centre would form part of the external audit, rather than requiring a separate technical judgement.

[b] In minute 2014:062[g] the word 'county' should be replaced with 'country'.

[c] *Minute 2015.002[c] is confidential.*

Matters Arising [Paper ARC2015/02]

2015.003 The Committee **noted** the following matters arising from the minutes of the meeting on 03 June 2015.

Trade Effluent Consents

[a] Work continued on the implementation of the trade effluent compliance plan outlined in Appendix 1. The building and infrastructure requirements had been identified and QMUL was awaiting a response from Thames Water. It

was unlikely that the formal application would be submitted before January 2016, unless the relevant information could be supplied promptly by Thames Water. The Committee **agreed** that updates on the implementation of the trade effluent compliance plan should continue to be provided under Matters Arising until the issue is resolved.

Counter-Terrorism and Security Act [Oral report]

[b] A paper entitled 'Freedom of speech and preventing extremism in UK higher education institutions' had been circulated to members with the minutes of the last meeting on 14 July 2015. Council would receive a briefing on counter terrorism, freedom of expression and academic freedom as part of the November Council meeting, to coincide with Council's consideration of the action plan in response to the new legislation and guidance.

Internal audit reports [ARC2014/35]

[c] The Vice-Principal (Research) was working to identify a method of providing information about the costs of research in a clear and comparable way, as well as reviewing the way in which research overhead recovery is reported to Council. The internal audit of this area would be undertaken in April 2016 to allow for the implementation of the new system for recording these costs. The audit report would be presented to the Committee in June 2016.

Committee effectiveness review: summary report [ARC2014/38]

[d] The dinner planned for Audit and Risk Committee members as a result of the Committee Effectiveness Review would follow the current meeting.

Risk appetite [ARC2014/46]

[e] The Strategic Planning Office were working to incorporate risk appetite into the Life Sciences project, and the Chief Operating Officer would report back at a future meeting on the benefits of this approach.

FRS102: impact review [ARC2014/50]

[f] The briefing meeting on the implementation of FRS102 would take place on 24th November 2015, rather than 27th November as stated in the paper.

MHRA inspection: report [ARC2014/48]

[g] *Minute 2015.003[g] is confidential.*

External audit plan 2014–15 and any headline issues [ARC2014/59]

[h] *Minute 2015.003[h] is confidential.*

Minute 2014.079[c] Internal audit reports [ARC2014/54]

[i] The committee requested clarification on whether the upcoming Value for Money Annual Report would include information about the actions taken to address staff costs at QMUL. The Chief Operating Officer reported that a separate, strategic piece of work would be conducted in spring 2016, which would include a benchmarking exercise and a review of the deployment of staff resources across different activity streams. It was noted that in order to secure value from this exercise, QMUL's costs should only be benchmarked against institutions with a similar disciplinary makeup, as some disciplines cost considerably more to operate than others.

Actions:
[a] [c] Council Secretariat
[e] Chief Operating Officer

Part 2: Risk Management

Strategic risk management [Paper ARC2015/03]

2015.004 The Committee **received** the quarterly report on strategic risk management. The following points were made:

- [a] The Strategic Risk Management Group (SRMG) last met on 28th July 2015. Consequently the risk exposure presented was not up-to-date in some areas.
- [b] The initial and residual risk scores in relation to 'student recruitment' (risk 1) had been decided prior to the release of the A-level results and the Clearing and Adjustment period, reflecting uncertainty over the impact of the removal of student number controls. In the event QMUL had recruited very well, but it was expected that the risk scores would continue to reflect uncertainty in the external environment. The management actions taken to mitigate the risks this year were considered to be appropriate.
- [c] The increase in risk exposure in relation to reputational development and external relations (risk 9) resulted from a drop in the Guardian league table of six places. It was expected that QMUL's improved performance in the NSS 2015, combined with QMUL's ranking in 10th place within the Russell Group, would result in an improvement in league table position next year.
- [d] The risk score relating to sustainable income streams for activities (risk 11) had increased at the time of the SRMG meeting. Since then the first draft of the financial outturn for 2014-15 had been produced and indicated that QMUL would achieve its surplus target.
- [e] The residual risk score relating to partnerships (risk 10) had increased owing to some issues in QMUL's partnership with Barts Health Trust that were outside of the institution's control.

2015.005 The Committee **received** a presentation on the new risk register web application and how the risk register feeds into the deep dive process. The following points were made:

- [a] The SRMG meets to review the Strategic Risk Register four times each academic year, in line with the meetings of the Audit and Risk Committee.
- [b] A series of local risk registers feed into the Strategic Risk Register, via the new risk register web application, which had been developed to align with the QMUL Strategy. This approach had a positive impact on the institution's approach to and engagement with risk management.
- [c] The new risk register web application allows all risk registers to be stored in one place, in the same format, with consistent information being recorded in

all registers. Change logs are generated automatically for each risk register.

[d] The risk register web application enables the SRMG to drill down into the local risk registers, in order to review particular risk groups and areas in more detail, and to identify areas where further development and/or training are required.

2015.006 The Committee thanked the Strategic Planning Office, KPMG, and the Vice-Chair of Council for their work on developing the new risk register web application. It was noted that in future the SRMG may wish to review the ranges of each of the risk ratings in order to make judgements clearer.

2015.007 The Chair reported that a panel would be interviewing candidates to become a co-opted member of the Committee on Friday 18th September and that one of the main appointment criteria was a demonstrable interest and/or experience in risk management.

Insurance arrangements as risk mitigation 2015-16 [Confidential paper ARC2015/04]

2015.008 *Minute 2015.008 is confidential.*

2015.009 *Minute 2015.009 is confidential.*

Whistleblowing cases since the last meeting [Oral report]

2015.010 The Finance Director **reported** that there had been no cases reported under the Public Interest Disclosure Policy since the last meeting.

Part 3: Financial Control

Timetable for the implementation of FRS102 [Confidential paper ARC2015/05]

2015.011 *Minute 2015.011 is confidential.*

2015.012 *Minute 2015.012 is confidential.*

2015.013 *Minute 2015.013 is confidential.*

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

2015.014 The Finance Director **reported** that there had been no cases of fraud or financial irregularity since the last meeting.

Part 4: Statutory and Regulatory Compliance

Legal compliance issues [Oral report]

2015.015 The Academic Registrar and Council Secretary **reported** on the following issues.

HEFCE claw back following the audit of postgraduate research student data

[a] *Minute 2015.015[a] is confidential.*

[b] The Committee would be provided with confirmation that the action plan had been fully implemented at a later date.

[c] The Finance Director had initiated discussions with the External Auditors on how HEFCE's decision should be reflected in the Financial Statements.

Consumer protection legislation

[d] QMUL had established a task and finish group to respond to guidance from the Competition and Markets Authority (CMA) on the application of consumer protection legislation to students in higher education. The guidance focused on three areas: enabling applicants to make informed choices; the fairness of terms and conditions for students; and dispute resolution.

[e] The CMA would be reviewing the progress of the sector as a whole, rather than that of individual institutions, during October 2015.

Implementation of the Counter Terrorism and Security Act

[f] The Government had issued specific guidance for higher education institutions on the Prevent Duty in August 2015. A QMUL task and finish group was working with the London FE & HE Prevent Co-ordinator to undertake a risk assessment, implement an action plan and organise training for key members of staff. The interaction of the Prevent Duty with the duty of higher education institutions under the Education (No. 2) Act 1986 to promote freedom of speech within the law was a key consideration in the context of QMUL's events management policy.

Legal compliance register

[g] QMUL had sought legal advice on the comprehensiveness of its legal compliance register following the issue with missing trade effluent consents. The review had resulted in a small number of updates and additions to the register that were being taken forward by managers in the relevant areas.

[h] Now that a culture of legal compliance was well established, it was proposed that a more targeted approach could be adopted that reflected the compliance risks in the Strategic Risk Register. The Committee **agreed** that a report should be presented along these lines at the next meeting.

Actions

[b] [h] Council Secretariat

***HESA annual data audit letter [Paper ARC2015/06]**

2015.016 The committee **noted** the HESA annual data audit letter.

Part 5: Internal and External Audit

Internal Audit Annual Report [Paper ARC2015/07]

2015.017 The Committee **received** the internal audit annual report. The following points were raised.

- [a] The report had been written to support the Committee's annual report to Council and HEFCE. As such, details from individual internal audit reports, which the Committee received throughout the year and which demonstrated a positive trend, were not included.
- [b] The Internal Audit Annual Report gave QMUL a rating of 'significant assurance with minor improvements' on the overall adequacy and effectiveness of the institution's framework of risk management, control and governance.
- [c] The internal audit process at QMUL was valuable and was being used in a developmental way. QMUL had a constructive relationship with KPMG and the outputs of the internal audit reports were well thought through.
- [d] The Committee **agreed** that the Finance Director should review the three year plan for internal audit to ensure that all priority areas are scheduled appropriately. Any recommendations for amendments to the plan would be made through QMSE.

Action:

- [d] Finance Director

Progress report on audit recommendations and areas of non-compliance [Paper ARC2015/08]

2015.018 The Committee **received** the progress report on internal audit recommendations and areas of non-compliance. The following points were made.

- [a] A number of actions were due to be finalised in the coming months. The Chief Operating Officer had not been able to meet with the responsible officers to review progress, but review meetings had been arranged in advance of all future Committee meetings.
- [b] The high priority action CFS01 had been implemented since the report was produced and some significant recommendations would be taken forward following the review of the payroll data and exception reporting. An action plan would be presented to the Committee along with the payroll review report at a future meeting. The high priority action BMF01 was due to be implemented by the end of the week.
- [c] The Committee **agreed** that a full review of the recommendation tracker, including deadlines and responsible officers, should be undertaken at the next meeting. A number of actions were still on-going from previous academic years and it was therefore important to determine why these deadlines had been pushed back and whether the actions were still relevant.

Actions:

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

External auditors 2014 management letter: progress report on actions [Paper ARC2015/09]

2015.019 The Committee **received** the progress report on the actions arising from the external auditors' 2014 management letter. The following points were raised.

[a] *Minute 2015.020[a] is confidential.*

[b] The recommendation regarding the completeness of performance related bonus contracts had been implemented. The arrangement with the individual member of staff concerned had ceased and the HR Directorate had reported that it was unaware of any other contracts containing performance related bonuses.

[c] The IT recommendations had been rolled over from audits in previous academic years, due to QMUL's significant investment in core IT functions as part of the IT Strategy 2010-15. The IT Transformation Project was ongoing and the Director of IT Services had confirmed that all six of the outstanding recommendations would be addressed as the programme progressed, from December 2015 onwards.

External audit 2015 interim comments [Oral report]

2015.020 The external auditors and Finance Director **reported** that:

[a] The current audit is going ahead as planned.

[b] *Minute 2015.021[b] is confidential.*

[c] *Minute 2015.021[c] is confidential.*

[d] The underlying financial performance was in line with the institution's expectations, but the details were subject to judgements still to be made in relation to accounting treatments.

2015.021 *Minute 2015.022 is confidential.*

Part 6: Committee Management and Reporting

***Audit and Risk Committee Annual report 2014-15: Draft 2 [ARC2015/10]**

2015.022 The Committee **noted** the draft Audit and Risk Committee Annual report 2014–15. The following points were raised.

[a] A decision had been taken to include less detail on the internal audit recommendations.

[b] Section 5.1 of the report would need to be amended to state that the meeting with the External Auditors would take place in advance of the November 2015 Committee meeting.

[c] Clarification would be provided on the information to be included in Section 5.2 of the report.

Actions:

[b] [c] Council Secretariat

***Committee schedule of business 2015-16 [ARC2015/11]**

2015.023 The Committee **received** the annual schedule of business for 2014-15. The following point was made.

[a] It was too early in the development of the Life Sciences project for the Committee to receive a Deep Dive report. It was **agreed** that the report should remain on the Committee Schedule of Business for consideration at a future meeting.

Actions:

[a] Council Secretariat

***Draft Agenda for next meeting [ARC2015/12]**

2015.024 The Committee **received** the draft agenda for the next meeting.

Any other business

2015.025 There was no other business.