

AUDIT AND RISK COMMITTEE
Thursday 08 March 2018

MINUTES

Present:

David Willis (Chairman)	Kath Barrow	Monica Chadha
Nadim Choudhary	Melissa Tatton	

In attendance:

Sue Barratt (External Audit)	Professor Colin Bailey	Professor Edmund Burke
Paul Cuttle (Internal Audit)	Rhys Davies	Laura Gibbs
Jonathan Gooding (External Audit)	Joanne Jones	Zarah Laing [minute 2017:040]
Sian Marshall	Jonathan Morgan	Julian Reeve (External Audit)
Neil Thomas (Internal Audit)	Peter Thompson	Janice Trounson

Apologies

None

Part 1: Preliminary Items

Welcome

2017.031 The Chairman **welcomed**:

- [a] Peter Thompson who was attending his first meeting of the Committee following his appointment as an external member of Council. Peter had agreed to become a member of the Committee subject to agreement by Council.
- [b] Jonathan Gooding from Deloitte LLP who was attending his first meeting of the Committee in the role of Audit Engagement Lead in anticipation of Sue Barratt's retirement at the end of May.
- [c] Rhys Davies, Chief Information Officer, who was attending the meeting to present the deep dive on IT Services.

Executive Summary and Minutes of the meeting 14 November 2017 [ARC2017/23]

2017.032 The Committee **confirmed** the non-confidential and confidential minutes and executive summary of the meeting on 14 November 2017.

Matters Arising [ARC2017/24]

2017.033 The Committee **received** the following matters arising from the non-confidential minutes of the meeting on 14 November 2017.

Annual efficiency return

- [a] It was incorrectly stated in the paper that Monica Chadha had been provided with a draft of the return prior to its submission to HEFCE. She had met with Laura Gibbs, Chief Operating Officer, to discuss the efficiency measures that might be included, but there remained an action for the Committee to review the return under item 10 of the agenda.

Value for money measures

- [b] QMSE had agreed a series of targets against which the Committee could assess the adequacy and effectiveness of QMUL's arrangements for promoting value for money. Members **agreed** that the measures proposed were appropriate.

Sharing audit committee best practice

- [c] The Chair had agreed with the Secretary that the Internal and External Auditors would be asked to share examples of good practice from other audit committees they attended with members at the annual *in camera* meetings. It was noted that members attended briefings on specific issues with a number of audit firms. There was scope for external speakers to be invited if requested by members, but any additional sessions would need to be held outside of meetings owing to the volume of business coming to the Committee.

General Data Protection Regulation (GDPR)

- [d] QMUL was making progress with preparations for the GDPR which will take effect from 25 May 2018. The Information Commissioner's Office had clarified how some of the provisions would be interpreted in the context of higher education. For example, universities would not be expected to ask for explicit consent from students to share their data with students' unions. A risk and readiness assessment was being conducted by an external party to assist with the planning and prioritisation of work. A discovery exercise had also been undertaken with data held in central professional services to identify information risks and opportunities to mitigate them.
- [e] Work was ongoing with schools, institutes and Professional Services departments to ensure that updated privacy notices were in place and staff were appropriately briefed on updated procedures. QMUL had taken legal advice on the expectations around reporting and had learnt lessons from previous data breaches, but intended to undertake an exercise to test procedures and systems for reporting in due course.
- [f] The Committee would receive an update via email on GDPR readiness in May. A more detailed update would then be provided for the Committee's meeting in June 2018.

Fire safety

- [g] Work was underway to implement a small number of outstanding recommendations from the fire safety inspection conducted by Arup. The

Committee **agreed** to receive a further update at its meeting in October 2018.

Actions:

Council Secretariat: [f]

Director of Health and Safety: [g]

Part 2: Risk Management

Deep dive: IT [ARC2017/25]

2017.034 The Committee **received** a deep dive presentation from the Chief Information Officer. The following points were made:

- [a] Significant progress was being made to improve services and systems delivered by IT Services and to develop a strategic plan and framework that would enable IT provision to be fit for purpose. The initial areas of focus would be on improving operational stability and leadership, and the development of a strategic framework to support the achievement of the new QMUL Strategy. The first stage would be to create effective universal service provision, while subsequent stages would focus on creating personalised services for schools and institutes to support research and teaching.
- [b] IT Services had responded well to recent cybersecurity threats, such as the Wannacry virus, but the experience had highlighted the need for system improvements to be made in certain areas of the university. The role of Chief Information Security Officer had been created to ensure an appropriate focus on cybersecurity and the development of a cybersecurity strategy.
- [c] Existing systems were generally working well in isolation, but were not well integrated, which meant that staff had to rely on data transfers or local systems. It was a priority to reduce the considerable risk to the institution arising from this approach. IT Services staff were working with business users to identify improvements to the sustainability and integration of systems.
- [d] There had been ongoing issues around the capacity and capability of IT Services to deliver projects in line within agreed budgets and timescales. It was a priority to address this issue.

2017:035 The following points were noted in discussion:

- [a] The first draft of the IT capital framework was due to be considered by the Finance and Investment Committee. There was a shortfall in funding, which would need to be addressed through reprioritisation within the framework or by extending the timeframe within which projects were scheduled. It was anticipated that the risks of delaying IT capital projects due to the funding shortfall would be communicated to the Committee via updates to the Strategic Risk Register.
- [b] Members noted that the previous IT transformation programme had recently concluded and questioned whether the level of investment still required in

IT provision was due to non-delivery of the programme or to a need for additional investment to support IT systems on an ongoing basis. The Chief Operating Officer said that there had been a number of issues in relation to delivery, such as the incomplete rollout of the managed desktop, and the previous investment programme had not recognised the need to replace systems when they reached end of life. The Chief Information Officer had been asked to ensure that the IT capital framework included a costed replacement cycle.

- [c] The Committee **agreed** that the development of a cybersecurity strategy should be included as a control in the Strategic Risk Register in relation to risk 15 – security of people, assets and data in line with current legislation.
- [d] The Committee took reassurance from the fact that there was now a clear understanding of the risks to the institution and to the delivery of QMUL's strategic aims from inefficient and ineffective IT provision and that plans were in place to address this. It noted that progress is being made but there is a lot to do. The Committee thanked the Chief Information Officer for the informative presentation.

Action: Vice-Principal (Science and Engineering): [c]

Strategic Risk Register [ARC2017/26]

2017.036 The Committee **received** the quarterly report on QMUL's strategic risk management framework. The following points were made:

- [a] The Strategic Risk Management Group had determined that there had been an increase in risk in relation to risk 14 – failure to develop and implement strategic development projects – owing to concerns about Life Sciences and the MBBS Malta programme. It was noted that the Group had met some time ago, on 07 December 2017, and it was felt that the risk had since reduced.
- [b] The Committee, at its last meeting, had asked the Group for more information to be provided on how controls were applied and the timescales for reducing risk. These issues would be addressed in response to the actions from the internal audit report into risk management.

Internal audit report: Risk management [ARC2017/31]

2017.037 The Committee **considered** the internal audit report into risk management. The following points were made:

- [a] The report had received a rating of 'significant assurance with minor improvement opportunities' and included three medium priority and two low priority recommendations. The recommendations to improve the articulation of risks and to include target scores and dates would be considered at the next meeting of the Strategic Risk Management Group in April 2018.
- [b] The recommendation to document QMUL's risk appetite would be considered and implemented by November 2018. The Committee had discussed approaches to risk appetite in the past, but a workable approach

had not been put in place. Council had recently considered in detail QMUL's appetite for additional borrowing based on a consideration of the attendant risks.

- [c] Members acknowledged that it could be challenging to define risk appetite in terms of target scores and encouraged QMSE to consider and articulate its current level of exposure to inform the discussion.
- [d] The audit had identified a number of local risk registers containing incongruous information, such as residual risk ratings that were the same, or higher than, the rating before mitigation. These issues would be addressed through additional guidance and training.
- [e] An update on the recommendations would be considered by the Committee in due course.

Actions: Chief Operating Officer, Vice-Principal (Science and Engineering): [e]

Whistleblowing cases since the last meeting [Oral report]

2017.038 The Academic Registrar and Council Secretary **reported** that:

- [a] *Minute 2017.038[a] is confidential.*
- [b] *Minute 2017.038[b] is confidential.*
- [c] It was noted that the Public Interest Disclosure Policy did not specify whether allegations made under the Policy that fail to satisfy the criteria for whistle blowing should be reported to the Committee. Decisions not to investigate allegations on these grounds were normally taken by the designated officer and the Academic Registrar and Council Secretary, in discussion with the Chair of the Committee. The Committee **agreed** that it should be notified of the number of such cases annually and that the information should be included in its annual report.

Action: Academic Registrar and Council Secretary, Finance Director: [c]

***HEFCE's annual assessment of institutional risk [ARC2017/27]**

2017.039 *Minute 2017.039 is confidential.*

Part 3: Statutory and Regulatory Compliance

2016–17 Health, Safety, and Fire annual report [ARC2017/28]

2017.040 The Committee **considered** the 2016–17 Health, Safety, and Fire annual report summary. The following points were made:

- [a] A range of improvements had been made over the previous year, including the introduction of an online health and safety management system and mental health first aid training. Work to integrate the management of health and safety into everyday activity was ongoing.

- [b] An investigation into concerns about health and safety in the Francis Bancroft Building had resulted in a number of recommendations to make the heating, ventilation and cooling systems more fit for purpose. There were a number of buildings on campus with such legacy issues, resulting in part from previous underinvestment and a lack of proactive maintenance. Additional maintenance funding had been included in the revenue budget for 2018–19.
- [c] The incident rate for reported accidents and near misses had increased, in part owing to improvements to reporting mechanisms and the effects of an awareness-raising campaign. The majority of reports related to near misses. This was not considered an area of concern.
- [d] The fire alarm data in the tables and graphs on pages 45–46 of the report appeared to be inconsistent; this would be reviewed and an updated version provided to the Committee if required.
- [e] A range of policies had been subject to legal review and updating during the reporting period. Policies were communicated and embedded through training for key staff, including local safety co-ordinators, and incorporation into audit and inspection programmes.
- [f] Members voiced concern about the fire safety issues that had been identified at the teaching and residential facilities in Malta. More robust processes were to be introduced in order to identify and monitor health, safety and fire issues at overseas locations.
- [g] The Committee noted that the report related to the 2016–17 academic year and **agreed** that it would be desirable to receive it at an earlier stage in future. The Committee **agreed** that the executive summary should be up to four pages in length and should include a short update on activity from the current reporting period.
- [h] The Committee concluded on the basis of the report provided that significant work had been undertaken during 2016–17 to improve the management of health and safety, including fire safety, at QMUL and that the health and safety management system was robust and effective in minimising significant risks.
- [i] The Committee commended the Director of Health and Safety for the comprehensive report and positive outcome and **agreed** to recommend the report to Council.

Actions:

Director of Health and Safety: [d], [g]

2016–17 TRAC return process approval [ARC2017/29]

2017.041 The Committee **approved** the process for completion of the 2016–17 TRAC return in accordance with TRAC guidance. The following points were made:

- [a] The results of TRAC would be considered by the Finance and Investment Committee at its meeting on 13 March 2018.

- [b] The Chair had attended QMUL's TRAC advisory group on 18 January 2018, which had responsibility for reviewing the TRAC process and results, where the process was confirmed to be satisfactory.
- [c] Section 4.2 of the report detailed the tests for reasonableness that had been conducted. The Finance Director confirmed that the results of these tests were satisfactory.
- [d] An internal audit of compliance with the TRAC guidance was planned for later in the year and would report to the June meeting of the Committee.

Annual efficiency return [ARC2017/3]

2017.042 The Committee **considered** the annual efficiency return. The following points were made:

- [a] Universities were no longer required to submit reports on value for money as part of the Annual Accountability Return, but were required to submit an annual efficiency return instead. The Committee would continue to receive an annual report on value for money.
- [b] *Minute 2017.042[b] is confidential.*
- [c] The Committee **confirmed** it had reviewed the report and **agreed** that in future more contextual information should be provided alongside the return.

Action: Chief Operating Officer: [c]

Part 4: Internal and external audit

Internal audit report: Staff recruitment [ARC2017/31]

2017.043 The Committee **considered** the internal audit report into staff recruitment. The following points were made:

- [a] The audit had resulted in a rating of 'partial assurance with improvements required' in contrast to the expected rating of 'significant assurance with minor improvement opportunities'. The report contained eight recommendations, including one high priority recommendation that QMUL should introduce a mechanism for recording and reporting on key performance indicators in relation to recruitment. It was noted that a review of the Human Resources directorate was currently being undertaken.
- [b] Members noted that the report had identified a lack of controls regarding training, panel composition and implementation of policy, which was a cause for concern given the importance of staff recruitment for the institution. Members encouraged QMSE to consider introducing diversity requirements for interview panels. It was noted that diversity was currently encouraged, but no formal requirements were set that could be tested.
- [c] Members noted that there was likely to be greater scrutiny of equality and diversity issues going forward and requested a report on the number and

frequency of grievances submitted and whether these were due to ineffective policy and procedure.

Action: Chief Operating Officer, Director of Human Resources [b], [c]

Internal audit report: School of Biological and Chemical Sciences [ARC2017/31]

2017.044 The Committee **considered** the internal audit report into the School of Biological and Chemical Sciences. The following points were made:

[a] The audit had resulted in a rating of 'significant assurance with minor improvement opportunities'. Members commended the Head of School and School Manager for the positive outcome.

[b] The School had been chosen for internal audit following an investigation into missing laboratory equipment. Members requested that information be provided on the requirements set by the Office for Students for reporting on loss of assets through fraud, theft or other causes.

Action: Council Secretariat, Finance Director: [b]

Internal audit report: Student Housing [ARC2017/31]

2017.045 The Committee **considered** the internal audit report into Student Housing and commended staff in the Directorate of Estates, Facilities and Capital Development for achieving a rating of 'significant assurance'.

KPMG report on internal audit recommendations [ARC2017/32]

2017.046 The Committee **received** the progress report on internal audit recommendations and **noted** that the format of the report provided clear signposting of outstanding recommendations for which there was a revised implementation date.

External Audit Plan 2017–18 and fees [ARC2017/33]

2017.047 *Minute 2017.047 is confidential.*

Part 5: Financial Control

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

2017.048 The Deputy Director of Finance **reported** that:

[a] No new cases of fraud or financial irregularity had been identified since the last meeting.

[b] *Minute 2017.048[b] is confidential.*

[c] *Minute 2017.048[c] is confidential.*

[d] *Minute 2017.048[d] is confidential.*

Review of policies [ARC2017/34]

- **Anti Bribery and Corruption Policy**
- **Anti Money Laundering and Criminal Finances Act Policy**
- **Fraud and Corruption Policy and Response Plan**
- **Public Interest Disclosure (Whistle-blowing) Procedure**
- **Standards of Business Conduct**

2017.049 The Committee **agreed** to recommend approval of the updated policies to Council.

Annual review of Internal and External Auditor appointments [ARC2017/35]

2017.050 *Minute 2017.050 is confidential.*

Part 6: Committee Management and Reporting

*Draft Agenda for next meeting [ARC2017/36]

2017.051 The Committee **received** the draft agenda for the next meeting on 14 June 2018.

Any other business

2017.052 The Chair **thanked** Sue Barratt from Deloitte LLP for her work with QMUL and wished her well for her retirement.

2017.053 QMUL had undertaken considerable work to implement the recommendations of the UUK report on sexual violence, harassment and hate crime with funding from HEFCE for the project. QMUL had not made any statement regarding historic cases of sexual harassment.