

AUDIT AND RISK COMMITTEE
Thursday 29 October 2020

CONFIRMED MINUTES

Present:

David Willis (Chair)
Melissa Tatton

Simona Fionda
Peter Thompson

Dr Alix Pryde

In attendance:

Professor Colin Bailey

Dr Nadine Lewycky

Charles Medley [internal
audit]

Jonathan Morgan

Neil Thomas [internal audit]

Dr Catherine Murray
Janice Trounson

Louise Parr-Morley

Craig Wisdom [external audit]

Apologies:

Julian Reeve [external audit]

Welcome

2020.018 The Chair welcomed everyone to the meeting and noted the apologies. The meeting was being held by video conference to ensure the continuation of good governance during the coronavirus pandemic.

Minutes and executive summary of the meeting held on 01 October 2020 [ARC2020/13]

2020.019 The Committee **confirmed** the confidential and non-confidential minutes of 01 October 2020 and **noted** the executive summary.

Matters arising [ARC2020/14]

2020.020 *Minute 2020.020 is confidential.*

Draft Financial Statements and update on progress of external audit [ARC2020/15]

2020.021 The Committee **considered** the draft financial statements. The following points were noted in the discussion:

[a] The figures in the financial statements still needed to be finalised but were not expected to change. The position was positive considering the global situation. A final review would be undertaken of the annual report. The Committee asked that future drafts clearly highlight any changes.

[b] The Head of External Audit said that there had not been any issues and that Queen Mary was in a good place relative to other university clients. Deloitte had reached an agreed position with Mazars about the valuation of the loan notes. The university had challenged on the need to fair value the loan notes

this year. The technical team at Deloitte had explained that this was required by the terms of the loan agreement.

- [c] The Committee asked whether last year's issue in relation to the inter group debt between the Maltese subsidiary and the university had been resolved. Last year, the university had made a judgment not to make a provision for the £5m loan. The auditors had considered the evidence from management and were comfortable with this judgment. The Committee asked that this be included in the papers for the next meeting so that the Committee could endorse the judgment.
- [d] The Committee asked about the status of the new building for the School of Business and Management. The university was moving the project forward in collaboration with Tower Hamlets as part of a masterplan for the Mile End campus. A paper would be prepared for the next Committee meeting setting out progress. This would enable the Committee to endorse accounting judgments made in relation to spending decisions.
- [e] *Minute 2020.21[e] is confidential.*
- [f] *Minute 2020.21[f] is confidential.*
- [g] The Committee asked how some of the KPIs and other metrics provided in the front of the accounts compared with the position of the sector and the university's strategic objectives. The narrative would be developed to put the information into context and articulate more clearly why these objectives and metrics had been chosen.
- [h] The Committee said that the final sentence of the section on financial outlook should be expanded to reflect in more detail the university's ability to navigate the current financial climate.
- [i] The Committee asked for clarification about the lead indicators in the section on internal control and risk management. Lead indicators were in place for some KPIs, but had yet to be developed for student experience. The Committee asked for the wording to be revised as it appeared currently that there were lead indicators across all KPIs.

*Actions: [a], [c], [d], [e], [f], [h] Interim Finance Director;
[g] Chief Governance Officer and University Secretary;
[i] Director of Planning*

Valuation of the private placement [ARC2020/20]

2020.022 The Committee **noted** the valuation of the private placement. The following points were noted in the discussion:

- [a] The Committee said that the figures on the cover sheet and the Mazars report did not match. This was because while Mazars had valued all of the notes, not all of the loan was non-basic and some of the notes did not need to be fair valued because they were in Sterling.

- [b] This was a technical accounting adjustment that needed to go through the statements but there would be no material impact unless we decided to pay back the loan early. The fair value movement of £17.481m would likely reverse by the time of repayment.
- [c] The Committee asked for an updated cover sheet showing the reconciliation at the next meeting. The Committee needed to be able to provide assurance to Council that this was a technical accounting decision and would not impact on the day-to-day financial planning of the institution.

Action: [c] Interim Finance Director

Assurance arrangements for statutory data returns [ARC2020/16]

2020.023 The Committee **noted** the assurance arrangements for statutory data returns. The following points were noted in the discussion:

- [a] There were no major changes in the university's approach to assurance this year. Internal oversight was provided by a group comprising those responsible for the returns and for underlying data, and through meetings with the President and Principal and the Director of Planning. The OfS had announced that some returns would not be required in the usual time scales this year, but the university had decided to proceed as normal. The Director of Planning said that she was confident that the university was in a stronger place on the robustness of data than a few years ago.
- [b] The Committee discussed whether there was assigned central responsibility for data across the university and whether there was a wider data quality and integrity programme independent of regulatory reporting. This was not in place but a data quality improvement programme (Data+) had been launched to ensure compliance with external reporting requirements as well as delivering improvements to data quality and timeliness that will facilitate the production of more robust and timely management information.
- [c] There was a named individual responsible for the quality and integrity of data for each corporate system. The Director of Planning and her team, along with the Chief Information Officer provided oversight on data quality. Further challenge was provided through line management.
- [d] The Committee asked why the Student Loans Company return was assessed as high risk but did not require Principal sign off. This was not a statutory return but a rolling monthly report on student enrolment. It was significant because of the sums of money involved across the year and the potential for fraud.

University insurance policies [ARC2020/17]

2020.024 The Committee **noted** the update on the university insurance policies. The following points were noted in the discussion:

- [a] The university had recently renewed its insurance policies through the London Universities Purchasing Consortium. As a result of Covid-19, there

had been a higher incidence of travel claims this year and a lower success rate. The university had changed its travel guidance in response to the pandemic so that travel would be approved as long as the insurers were notified. The new Head of Information Security was progressing procurement of cyber security insurance. Not all universities had cyber security insurance, but claims could be significant where made.

- [b] The insurance sector had raised the risk of claims in relation to campus closures and the move to online learning. Industrial action and consumer protection issues in relation to online learning had already been pushing up premiums. Students would not be able to make claims under consumer protection potentially until the end of the year, giving the university time to put things right if needed.
- [c] The pandemic and industrial action presented two distinct risks. The delivery of teaching was not at risk during the pandemic but needed to be delivered as planned. Industrial action resulted in the loss of education which was more significant especially for final-year students. The impact of industrial action also varied between schools. Students were unable to get information on teaching during industrial action and this lack of communication was material in subsequent complaints. The university's online content had been designed to be interactive and would not necessarily support business continuity in the event of industrial action.

OfS submission due for return 30 October 2020 [ARC2020/18]

2020.025 *Minute 2020.025 is confidential.*

Whistle blowing cases since the last meeting [Oral report]

2020.026 *Minute 2020.026 is confidential.*

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

2020.027 *Minute 2020.027 is confidential.*

***Draft agenda for the next meeting [ARC2020/19]**

2020.028 The Committee **noted** the agenda for the meeting on Tuesday 10 November 2020.

AOB

Meetings

2020.029 [a] The Committee said that the November Committee and Council meetings were close together but that this should not impact on challenge raised by the Committee. The Chief Governance Officer and University Secretary said that there would be an opportunity to circulate items by email before the Council meeting if required. This meeting had been introduced to give the Committee an opportunity to review and provide feedback on the financial statements earlier than usual.

[b] The Committee **agreed** that the next meeting would be held by video conference.

Dates of meetings in 2020–21:

- Tuesday 10 November 2020 at 1515 hours via Zoom.
- Tuesday 9 March 2021 at 1500 hours in the Robert Tong Room, Mile End.
- Tuesday 8 June 2021 at 1500 hours in the Robert Tong Room, Mile End.