AUDIT AND RISK COMMITTEE
Thursday 04 February 2016

DRAFT UNCONFIRMED MINUTES

Present:

David Willis (Chairman)	Kath Barrow	Nadim Choudhary
Melissa Tatton		

In attendance:

Sue Barratt (External Audit)	Emma Bull	Professor Edmund Burke
Eleanor Crossan	Paul Cuttle (Internal Audit)	Joanne Jones
Zarah Laing	David Marks	Sian Marshall
Jonathan Morgan	Professor Bill Spence	Neil Thomas (Internal Audit)
Paul Thomas (External Audit)		

Apologies

Simon Linnett	Janice Trounson

Part 1: Preliminary Items

Executive Summary and Minutes of the meeting 12 November 2015 [ARC2015/31]

2015.049 The Committee **confirmed** the executive summary, non-confidential and confidential minutes of the meeting on 12 November 2015.

Matters Arising [ARC2015/32]

2015.050 The Committee **received** the following matters arising from the non-confidential minutes of the meeting on 12 November 2015.

Trade Effluent Consents

[a] Good progress was being made with the implementation plan in conjunction with Thames Water to secure the required trade effluent consents. It was intended that completion of the plan would be achieved by March 2016.

Strategic risk management

[b] The Committee's first meeting of 2016–17 would be held on 03 October 2016, which would enable better alignment with the Strategic Risk Management Group.

Value for Money annual report and strategy [ARC2015/20]

[c] The Chairman had reviewed the value for money strategy and targets with the Chief Operating Officer. The value for money mid-year report would be received by the Committee in June.

Progress report on audit recommendations and areas of non-compliance [ARC2014/55]

[d] The overdue action CFS01 relating to payroll data and exception reporting had been closed following implementation of a number of robust checking processes. HR had commissioned a further review of payroll and pensions by KPMG and a consultant had been brought in to implement the recommendations; an update on the action plan would be submitted to the Committee in October 2016.

Audit and Risk Committee annual report 2014–15: draft 3 [ARC2014/61]

[e] The Committee's annual report was finalised and submitted to Council for approval ahead of submission to HEFCE. The HEFCE assurance visit would take place later this month with meetings scheduled with members of QMSE, Council and KPMG. Any issues highlighted as part of the visit would be reported to the Committee in due course.

Action:
Chairman, Council Secretariat: [e]

Part 2: Risk Management

'Deep dive' risk report (impact and innovation) [ARC2015/33]

2015.051 The Committee **received** the deep dive risk report on impact and innovation (risk 6). The following points were made:

[a] The Vice-Principal (Research) said that the term impact could be defined as the non-academic results of research, teaching and other activity at QMUL, which could be social, economic, environmental or political, and could include the creation of spin-out companies or the changing of public opinion. The term innovation could be described as the development of research ideas into a 'product' that could be utilised by the non-academic community.

[b] Impact and innovation work was important for institutions given they attract funding and are prominent on the political agenda in relation to higher education. There was scope for QMUL to make improvements in both areas; in the 2014 REF QMUL's scores for impact were lower than for research quality and the weighting (currently 20%) in the REF is expected to be higher in the next exercise. Impact scores also formed part of the methodology for a range of league tables, which there were potential reputational benefits from improving QMUL's performance.

[c] The stocktake report received at the last Council meeting had highlighted that QMUL was behind in achieving the targets for spinouts and licensing in the QMUL Strategy. There was potential to profit from the sale of shareholdings in two spinout companies in the near future but it was hoped this area of activity could be further expanded. The target for licensing income was most at risk of non-achievement given the resource intensive nature of this activity. It was also intended that Queen Mary Innovation (QMI), which oversees spinouts and licensing, would become financial self-

sufficient by 2018–19 (as detailed in the research strategy) and had had a new financial model recently approved by QMSE in order to achieve this.

[d] The case studies highlighted a need for better coordination of impact and innovation activity across QMUL as a key factor in making improvements and managing risk in these areas. Each school and institute had a lead member of staff for impact and two of the faculties had appointed Deans for Impact. QMSE had agreed additional investment in staff to address this issue, including an Impact Officer in the Business Development Unit, a REF Officer and two new staff in QMI, and a bid for two further Impact Officers had been submitted in this year's PAR round. QMSE intended to consider the case for additional staff recruitment in some disciplines where it could be more challenging to evidence impact case studies.

[e] The IP policy had been revised to encourage and incentivise academic staff to develop their impact work, which was also promoted through appraisal and mentoring. The policy permitted 50-90% of the profit from inventions to be retained by staff depending on the level of resource and time committed. QMI was responsible for overseeing the policy and governance arrangements, and for managing the associated risks. QMI was working to interact more directly with schools and institutes to support staff. Recognition of success was also important for QMUL and was achieved through award ceremonies and other activities.

[f] The preparation of the report had usefully highlighted that there was a need to improve and standardise the recording of risk and controls across faculty and school/institute risk registers. The Strategic Planning Office was working with the Vice-Principal (Research)'s team to take this issue forward.

[g] The Committee **agreed** that the report provided evidence that effective mechanisms were in place to manage risk in relation to impact and innovation. It was further **agreed** that there would be merit in considering providing a detailed update to Council on these areas of work in due course.

Action:
Council Secretariat, Vice-Principal (Research): [g]

Strategic risk management [ARC2015/34]

2015.052   The Committee **received** the quarterly report on QMUL's strategic risk management framework. The following points were made:

[a] Risk exposure had increased in relation to student recruitment (risk 1) largely owing to external factors and the increasingly challenging recruitment environment. A presentation received from HEFCE at the recent Professional Services conference had highlighted that QMUL's planned level of growth in student numbers was well above the sector average up to 2017–18; the QMUL target was 17% home/EU and 39% overseas UG compared to 8% and 31% for the sector. It was noted that there was a risk that the sector was being overambitious in its expansion plans but QMUL was likely to be better placed given its membership of the Russell Group and location in London.

[b] The HEFCE presentation had also highlighted that QMUL's planned surplus targets up to 2017–18 were higher than the sector. There was a need for QMUL to ensure that PAR faculty surplus targets and the pace of growth were achievable; some Council members had previously expressed concerns that surplus targets described in the QMUL Strategy were not realistic and should be revised. It was intended that the draft budget for 2016–17 would be considered by Finance and Investment Committee at the meeting on April 19th but due to the HEFCE grant letter being delayed until April 19th approval of the budget may be deferred until June.

[c] Risk had increased in relation to cost control, value for money and expenditure (risk 12) due to the lower than anticipated 2014–15 underlying surplus position and a number of contractual issues with IBM in relation to the application migration project, which formed part of the IT transformation programme. The project was due to be completed in April but delivery issues could result in non-completion or additional costs as a result of applications remaining on QMUL hosted servers. The Committee noted that the further actions and notes column did not clearly describe the actions that would be taken in response to the increase in risk.

[d] The Committee **agreed** that it wished to receive further information regarding the management of contract or outsource risk, particularly where this formed a significant part of QMUL's Strategy, and the lessons learned from this aspect of the IT transformation programme. It was suggested that this might form part of a deep dive on IT during the next academic year.

[e] It was reported in the paper that the Strategic Risk Management Group had considered the risks identified in the HEFCE publication: 'Financial Health of the HE sector' and were satisfied that they were properly taken into account in the strategic risk register.

[f] It was **agreed** that the horizon scanning exercise planned for October 2016 should consider the level of risk being carried within the institution and the potential impacts of the Green Paper.

Actions:
Vice-Principal (S&E), SRMG: [c]
Chief Operating Officer: [d]
Council Secretariat: [f]

Whistleblowing cases since the last meeting [Oral report]

2015.053   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

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

2015.054   The Finance Director **reported** that there had been no cases of fraud or financial irregularities since the last meeting.

Part 4: Statutory and Regulatory Compliance

Research integrity report [ARC2015/35]

2015.055   The Committee **received** a report on research integrity. The following points were made:

[a] QMUL had been working to implement the Universities UK Concordat to support research integrity; it was a requirement that institutions consider an annual statement on research misconduct including a summary of any formal investigations undertaken. Discussions with other Russell Group institutions had indicated that the number of cases investigated by QMUL was comparable to other universities. It was noted that plagiarism software was routinely used for PhD theses but increasingly journals were also using plagiarism software.

[b] QMUL was seeking to better publicise the Public Interest Disclosure Policy, under which some staff had raised concerns about research misconduct, and to support staff in making disclosures. The Research Misconduct Policy was under review to ensure that procedures were clearly documented.

Modern Slavery Act [ARC2015/36]

2015.056   *Minute 2015.056 is confidential.*

2014–15 Health, Safety and Fire Annual Report [ARC2015/37]

2015.057   The Committee **considered** the 2014–15 Health, Safety and Fire Annual Report. The following points were made:

[a] The report, which had been approved by the Health and Safety Advisory Group, had concluded that QMUL was compliant with health, safety and fire legislation and that risks were effectively managed during the reporting period. Where any gaps or areas for improvement had been identified action plans had been developed for the coming year or had been built into the Health and Safety Strategy in the case of more long term areas of work.

[b] The Directorate had increased its focus on QMUL's overseas activity to ensure that appropriate health and safety measures were in place for staff and students based overseas.

[c] New types of research activity posed a challenge for QMUL such as research involving nanomaterials. The Directorate was working with sector specialists in addition to school and institute staff to take a robust approach to managing these new hazards and to ensure appropriate protections for staff and students.

[d] The ongoing programme of refurbishment and construction work, particularly large construction projects, within the institution was a risk associated with the management of health and safety, which the Committee considered to be well managed at QMUL.

[e] The Health and Safety Executive (HSE) was not planning to introduce any new legislation during 2016. The HSE was consulting on the launch of a new national strategy; the Directorate intended to provide a response to the consultation and would develop its own strategy with reference to the approved national strategy. The HSE's current focus was on the management of risk by organisations and, as a result, there had been a number of prosecutions of individual managers where procedures were deemed to be insufficiently robust. QMUL considered its relationship with the HSE to be good relationship and had passed a number of unplanned inspections with only few low-level recommendations for improvement.

[f] QMUL sought to benchmark its activities against other Russell Group institutions particularly in relation to training, accident rates and the robustness of its policies and procedures. Improved procedures had resulted in an increase in accident reporting rates both at QMUL, which was in line with the sector. The Directorate planned to introduce an online reporting system during the coming year to ensure all incidents were captured and the level of risk assessed.

[g] The Committee **approved** the report for consideration by Council and commended the Director of Health and Safety and her team for their achievements and the improvements made during 2014–15 and for the comprehensive report.

TRAC Summary Report [ARC2015/38]

2015.058   The Committee **received** the Transparent Approach to Costing (TRAC) summary report. The following points were made:

[a] It was a HEFCE requirement that a committee of the governing body confirm compliance with TRAC requirements and due to the timing of the return retrospective approval was permitted. The Chairman had attended a briefing meeting with staff from the Finance Department on 27 January 2016 and had confirmed on behalf of the Committee that the return could be signed off by the President and Principal and submitted to HEFCE by the deadline of 29 January 2016.

[b] The process and results had been reviewed by the TRAC Advisory Group comprising both Professional Services and academic staff; the results would be considered by the Finance and Investment Committee at its meeting on 1st March 2016. The Chairman would be invited to attend the annual meeting of the Group that would consider and sign off the TRAC report.

[c] Members noted that the coversheet for the paper clearly outlined the Committee's responsibilities and **agreed** that the Council Secretariat should work with paper authors to ensure that all papers provided this level of clarity in future.

[d] The Committee **confirmed** compliance with the procedures for completion of the TRAC return.

Action:
Council Secretariat: [c]

Progress report on HEFCE data audit recommendations [ARC2015/39]

2015.059   The Committee **received** a progress report on the HEFCE data audit recommendations. The following points were made:

   [a] Between July 2013 and February 2015 HEFCE had conducted a pilot audit of the data that informed the 2013–14 quality-related research degree programme supervision fund allocation. QMUL had agreed an action plan with HEFCE to address the recommendations made; avoidance of a negative funding adjustment of *c*.£630k was contingent on completion of the action plan by June 2016.

   [b] The actions had been successfully implemented but further monitoring of the data provided by schools and institutes would be undertaken over the coming months to ensure full compliance. The Committee **agreed** that the update could be shared with HEFCE as in interim report and thanked staff from ARCS and the Strategic Planning Office for implementing the recommendations.

Part 5: Internal and External Audit

Internal Audit reports [ARC2015/24]
- **Partnerships and collaborations**
- **Health and safety**

2015.060   The Committee **considered** the internal audit report into partnerships and collaborations. The following points were made:

   [a] The internal audit report into health and safety had been delayed in part due to a request from QMSE that it should be considered by the Health and Safety Advisory Group prior to the submission to the Committee, which had not been factored into the reporting schedule. There were a small number of recommendations made within the report but no significant issues raised.

   [b] The Chairman said that it may not be possible to consider all the remaining internal audit reports at the meeting in June due to the large number and that some may need to be deferred until September 2016. Members **agreed** that internal audit reports could be considered by email circulation particularly where there were recommendations requiring immediate escalation in the case of significant concerns raised.

   [c] The internal audit into partnerships and collaborations had received an amber-green rating and concluded that QMUL had robust systems for reviewing and approving partnerships, which were working effectively. The recommendations were primarily based on the need to ensure that guidance was up-to-date and followed. There was a further need to improve the visibility of the Partnerships Board, which had an important function in the approval and monitoring of arrangements.

   [d] The review had been timely for QMUL given that the Partnerships Board had been in operation for two years and would enable good practice to be shared across the institution. Regular visits to schools and institutes would be

introduced to raise awareness of procedures and to keep abreast of future planned developments.

[e] In response to a question raised outside of the meeting by the Treasurer, it was clarified that QMUL's programmes based in Paris were not selected for review given that they do not involve a partner organisation. QMUL is due to take responsibility for oversight of the programmes operated by the University of London Institute in Paris during the coming year. The Council Secretariat would report back to the Treasurer regarding the status and level of oversight of the programmes based in Paris.

Action:
Council Secretariat: [e]

Progress report on audit recommendations and areas of non-compliance [ARC2015/41]

2015.061   The Committee **received** a progress report on internal audit recommendations and areas of non-compliance. The following points were made:

[a] Five actions had been successfully progressed to completion with only eight recommendations remaining open that were either 'overdue' or 'due'. The Committee congratulated the Interim Chief Operating Officer for ensuring that many of the actions had now been completed.

[b] The two overdue recommendations required input from Barts Health NHS Trust and had as a result been delayed. The Chief Operating Officer would liaise with the Dean for Education to understand the level of progress expected and would report back to the Committee in due course.

Actions:
Chief Operating Officer: [b]

External audit plan 2015–16 [ARC2015/42]

2015.062   *Minute 2015.062 is confidential.*

Annual review of External Auditor appointment [ARC2015/43]

2015.063   The Committee **agreed to recommend** to Council the reappointment of the External Auditors for 2015–16 on the basis of satisfactory performance during the previous year.

Update on FRS102 implementation [ARC2015/44]

2015.064   The Committee **received** a summary of the accounting policy changes agreed at the joint workshop with the Finance and Investment Committee on FRS102. It was noted that work to implement FRS102 was continuing in accordance with the approved timetable, which would be subject to a progress health check by the External Auditors later this week.

Draft annual schedule of business 2016–17 [ARC2015/45]

2014.065   The Committee **noted** the draft annual schedule of business for 2016–17. The following points were made:

[a] The Finance Director would need to check the original term of appointment for the Internal Auditors agreed by the Committee and Council to confirm that a retender process would be required during 2016–17 for internal audit services provided from 2017–18 onwards.

[b] Members **agreed** the provisional deep dive schedule as cyber-security, sustainable income streams, social media and IT. It was noted that a deep dive report into social media would enable consideration of the risks around ownership, usage, strategy and links with Public Engagement and the Prevent duty.

Action:
Finance Director: [a]

Draft Agenda for next meeting [ARC2015/46]

2014.066   The Committee **received** the draft agenda for the next meeting on 02 June 2016.

Any other business

2015.067   **Prevent duty compliance**

[a] The Chairman reported that Council would be required to sign off QMUL's statement of compliance with the Prevent duty by 01 April 2016. It was **agreed** that a sub-group comprising the Chairman and Melissa Tatton would be convened to review the statement ahead of consideration by Council.

HMRC Audit

[b] *Minute 2015.067[b] is confidential.*

[c] *Minute 2015.067[c] is confidential.*

[d] *Minute 2015.067[d] is confidential.*

Actions:
Council Secretariat: [a]