

AUDIT AND RISK COMMITTEE
Wednesday 13 March 2019

Executive Summary

Strategic Risk Management

1. We considered an updated Strategic Risk Register and risk mapping document. We heard that a new register was being produced to align with the new strategy and enabling plans. We discussed the setting of target risk scores so that they would be realistic but stretching. We discussed the implementation of controls and the need to reassess them periodically to ensure that the target risk scores would be met by the deadlines. We heard that work on the Governance, Business Continuity and Data Security risk had focused on the university's emergency response plan and the resilience of technology rather than on general governance which had been covered in the internal audit report on business continuity referred to below.
2. At our previous meeting, we had recommended for approval to Council the risk appetite document, which would be revised to align with the new strategy. We asked for a tool to be developed to help identify where the appetite and target risk scores were out of alignment and would need to be reconsidered or greater risk accepted. We heard that QMSE were focusing on areas of high impact or high proximity and were concentrating on two risk areas at each meeting. We asked for an indication from QMSE about which risk areas had been discussed in detail to help inform the work of the Committee, particularly in identifying deep dive topics.
3. We received an update on external risks to the Higher Education sector and the university. We heard that the outcome of the post-18 education review had been delayed. It was expected that tuition fees would be reduced to £7,500 and that the backfill would not be made up by the Treasury. We heard that parliamentary approval would be needed for a tuition fee reduction but not for a restriction of the loan book to students with grades above DDD. We also heard that a change in leader or government could have an impact on the outcome of the review. We heard that QMUL had given an executive response to the UUK consultation on proposals for 'trigger contributions' to the USS. It was expected that Clause 76.4 would be implemented and had been included in next year's budget with faculties being asked to make savings. If the trigger contributions proposal were to be supported by all relevant stakeholders then further increases in contributions to the USS above what is called the low end bookmark would be deferred unless trigger events (related to the scale of the deficit) occurred. It was also noted that the year-end accounts could be impacted by changes in QMUL's share of the deficit. Contingency planning for procurement and the movement of people was being undertaken in the event that the UK left the European Union without a deal.
4. We received a deep dive on the approach being taken to develop the Queen Mary 2030 KPIs and performance reporting. We heard that work was underway to improve the quality of management information for internal reporting. A new suite of dashboards was being developed to improve transparency and to provide a link between day to day operations and the data. Historical data would continue to be used for external benchmarking against other Russell Group and London universities.
5. We received a report of one disclosure under the whistle blowing policy since the last meeting. Concerns had been raised about inappropriate practices in the approval of

contracts in QMI. An investigation had not uncovered any wrongdoing but the policy would be clarified. We would be updated on the policy revision.

6. We considered a paper on the university's approach to Value for Money (VfM). We heard that there had been no guidance issued on VfM by the Office for Students (OfS) and that work would continue on embedding VfM within the university through the enabling plans for the new strategy rather than concentrating on how it would be reported. We discussed how VfM would be reported internally. Given that the evaluation of VfM would focus on student experience and student outcomes, overall reporting should be done to Council, as part of the KPI reporting under the new strategy. Unless guidance was forthcoming from the OfS to the contrary, specific targets around VfM would not be set by the Committee this year and it needed to be checked whether an opinion would be expected in the Committee's Annual Report. The working assumption is that it would not. We heard that work was being done to improve how VfM was being communicated to students and that the template created by the Russell Group was being road-tested with student focus groups. We discussed what governance and assurance arrangements should be in place for how the university presents VfM publicly. We agreed that no formal approvals were required but that the information going on the website would be shared with Council.

Statutory and Regulatory Compliance

7. We discussed and approved the processes for completion of the TRAC return for 2017–18. We heard that Queen Mary recovers around 65% of the Full Economic Cost (FEC) on its research activity which is lower than other Russell Group universities and the sector average of 72%. The two underlying issues were the need to optimise our overhead recovery on externally-funded research projects and to increase the number of researchers applying for external research funding.

External Audit

8. We discussed the external audit plan for 2018–19 and fees. Risks around covenant compliance in the debt private placement had been added to the plan. It was not considered a significant risk but could have an impact on behaviour. We were satisfied with the materiality threshold of 2% which was a standard threshold and the same as last year. We approved the external audit plan for 2018–19 subject to the fees being settled.

Internal Audit

9. We considered four planned internal audit reports. We were impressed with the reports on the Blizzard Institute and the Centre for Commercial Law Studies (both of which were rated significant assurance with minor improvement opportunities) and agreed that the learning from these reports should be shared with all schools. We asked the Council Secretariat to send our thanks for the excellent work to those involved in the audits. We considered the internal audit report on research overhead recovery, which was also rated significant assurance with minor improvement opportunities. We heard that more work was needed to ensure that all direct and indirect costs were included in research grant applications. While work was being done on the recovery of costs, it was noted in discussion that the university was funding too much of its own research and PhD students.
10. We considered the internal audit report on business continuity which received a rating of 'no assurance' (red). This was the lowest rated internal assurance report received by the Committee in recent years. We heard that work in the last 4–5 years had focused on the university's emergency response and focused on key events such as confirmation, clearing and graduation. The audit highlighted that there was a lack of overall governance and depth in the plans from Schools and Institutes. We heard that management was intending to commission additional work urgently so that improvements would be in place by the start of the new academic year. We were concerned that the gaps in key roles and

governance had not been identified earlier and that this could indicate that there were unidentified issues in other processes. The Business Continuity and Emergency Planning Group (EPBCG) had not met since 2015 meaning that there had been no formal governance oversight. We were told that this group would be reconvened and chaired by the Finance Director. The role of Business Continuity Manager had been vacant since 2017. We requested to be made aware of gaps in other key compliance roles as we felt that risks were being run where there were vacancies and governance or day to day management was allowed to lapse. We asked management to consider providing an annual report on Business Continuity that would be used to drive continuous improvement and would cover the key areas; the individual responsible; the reporting lines; and reporting structure. Key compliance roles would be reported on as part of the legal compliance report at our November meeting. We asked that a progress report be brought back at our June meeting and consideration be given to whether KPMG could review progress before the issue of the Head of Internal Audit report on 2018-19.

11. We considered the internal audit recommendations tracking report. We discussed the number of outstanding recommendations assigned to HR. We heard that HR had been undergoing a restructure and now that this was complete work would be done to implement the recommendations.

Financial Control

12. We received a report on frauds occurring since the last meeting. We heard that one member of staff had been dismissed for failing to follow the correct procedures for changing supplier bank account details.
13. We considered the annual review of external and internal auditor appointments. As it was good practice to retender for external audit services within 7 years, a retender exercise would be undertaken in 2019–20, Deloitte's sixth year, so that the new external auditors would be in place for the 2020–21 financial year. In the meantime, we recommend to Council that Deloitte are reappointed for the next external audit. KPMG have responded well to the issues raised with them a few months ago and the Committee reappointed them for another year.

Committee Management and Reporting

14. We discussed a deep dive topic for the Committee meeting in June. We felt that as the new CIO would be starting in May it would not be the right time to have a deep dive on IT. We agreed that given the amount of business on the agenda, we would postpone any deep dive until September.
15. We heard from a Committee member that, at a recent KPMG event, it was recommended that universities maintain a register of their interactions with the OfS. We asked management to consider preparing an annual report for the Committee and Council.
16. Council is asked to **note** the executive summary of the Audit and Risk Committee meeting held on 13 March 2019 and **to approve** the re-appointment of Deloitte as external auditors for another year.