

AUDIT AND RISK COMMITTEE
Wednesday 14 November 2018

Executive Summary

External Audit

1. Prior to the meeting, members of the Committee held an *in camera* (private) meeting with the External Auditors, Deloitte. We were pleased to hear that Deloitte was pleased with the work done by the Finance team. They identified few errors in the Financial Statements and compared them favourably with those at other universities. They acknowledged that the timing and the content of the annual report had been problematic and that certain judgments should have been discussed earlier.
2. We considered the audited 2017/18 Financial Statements which are currently undergoing final review by the auditors and Finance. We received assurance that there were no changes to, or issues relating to the application of accounting policies. The narrative section on risk would be developed to describe more fully the risks facing the university and actions being taken in mitigation; and to align the risks with the risk appetite statement and the new university strategy. We agreed to recommend the Financial Statements to Council subject to the Committee being satisfied with the amended text.
3. We considered the 2017/18 External Audit Report which was presented by the External Auditors. The Auditors had not identified any significant issues and there were no unadjusted items reported. We considered in detail the recommendations made the External Auditors in relation to accounting for research grant income, management override of controls, and accounting for major capital projects, which have been accepted by Queen Mary. We were satisfied that the actions proposed were appropriate. A line would be added by the Auditors reconfirming the judgment relating to the debt owed to the university by the subsidiary in Malta. The report would be re-issued once the above changes had been made.
4. We considered the Letter of Representation which is required by the External Auditors as part of the audit of the 2017/18 Financial Statements. The Committee received assurance from the Finance Director and the President and Principal on behalf of QMSE and the Academic Registrar and Council Secretary that there was no reason the Committee could not recommend the letter to Council for signing.

Risk Management

5. We received a presentation from the Vice-Principal (International) on our transnational educational partnerships in China. We heard about the four main areas of risk and the actions being taken in mitigation. We heard that as part of the university's new Global Engagement Strategy partnerships would be expanded and diversified. We heard that challenges included expanding while maintaining quality; the risk to staff wellbeing from the number of 'flying faculty'; and financial risks related to payments and exchange rates. We heard that the Partnerships Board had been reviewed and governance arrangements had been revised. We heard that there were concerns about the sustainability and reputational legacy of Malta but that it could be used as a way into public health issues in North Africa.
6. We received the revised risk appetite statement. We were pleased to see that the updated statement reflected the comments made by the Committee at the last meeting. The

presentation of risk in the Strategic Risk Register would be updated and the two documents would have greater alignment in the new year. On balance, we agreed to recommend the document to Council for approval.

7. We received the revised Strategic Risk Register and were pleased to see that changes had been made based on input from Committee members on targets and deadlines. We heard that the Register would be used by the Executive as a management tool, to be reviewed on a monthly basis, with a deep dive into 1-2 risk areas. The Register would be used to stimulate culture change and embed a new way of working. Risk owners in each area would be asked to provide a report, while major risks would be elevated onto the Register. Compliance with policies was embedded in the schools. We agreed that a mapping exercise between the targets on the Strategic Risk Register and the risk appetite statement would be useful.
8. We received a report of one disclosure under the whistle blowing policy. A complaint had been made by a member of the security team over the use of CCTV to monitor staff movements. The matter was being investigated under the disciplinary policy.

Statutory and Regulatory Compliance

9. We received the annual report on assurance arrangements for statutory returns. We heard that the assurance procedures in place were proportionate to the level of risk associated with each return. The capability to report HR data internally had been improved and would enable better use of management information.
10. We considered the annual report on Queen Mary's legal compliance register for 2017/18. We noted that the main areas of compliance had been brought to Audit and Risk Committee or Council during the year. We heard that the Committee's responsibilities in relation to the Prevent Duty had changed. The Office for Students (OfS) did not require a separate report on Prevent but would request data on the number of Prevent-related incidents during the year. Governing bodies would still be expected to make the same compliance assessments. We heard that the Channel Panel had held its annual meeting and discussed the Prevent risk register, compliance training and updates to policies related to external events. We were satisfied with the arrangements that Queen Mary has in place to comply with the Prevent Duty and recommend that Council can make the required assurances to the OfS.
11. We considered the Health, Safety and Fire Annual Report for 2017/18. We heard that a new compliance structure had been introduced and that the culture for reporting health and safety issues was improving. We felt that the objectives of the 2016/17 Health and Safety strategy were process rather than outcome based and recommended that the group should reconsider whether these are the right objectives. The section on conclusions was welcomed, but could draw out more clearly the key issues for the Committee to consider.
12. We considered an interim report on compliance management covering the period from the end of the annual report on health, safety and fire. We heard that the removal of cladding on buildings at Charterhouse Square and the implementation of recommendations by ARUP were underway. We heard that governance processes had been effective in identifying an issue with improper removal of asbestos removal. Management was taking legal advice on breach of contract by the previous contractors. We heard that immediate action had been taken to contain an outbreak of legionella bacteria at Charterhouse Square. Work was being done to improve the internal management processes in all three areas.
13. We received that annual report on Value for Money (VfM) which showed improvements against a set of five metrics agreed by the Committee for the 2017/18 year. The OfS had

not yet confirmed how universities should report on VfM and an annual report would not be required for this year's accountability return. We heard that the Russell Group universities were discussing how to present a consistent picture of VfM on university websites which would demonstrate VfM to the OfS. We will engage in regular discussions on VfM throughout the year and continue to receive an annual report for internal performance management.

14. We considered the Financial Regulations and Scheme of Delegation of Financial Authority, and the Travel and Expenses Policy. We were satisfied with the amendments made and agreed to recommend approval to Council.

Financial Control

15. We received an update on the equipment that had gone missing in the Engineering building. The damage and missing equipment, with a total value of £120K, had occurred within the contractors' secure area and the contractors were being pursued for the losses. The value of missing equipment was £78K and would have to be reported to the OfS. Some elements had been reported to the police and were subject to criminal investigation.

Committee Management and Reporting

16. We considered the second draft of the Audit and Risk Committee annual report and did not make any amendments to the current draft. A final draft, incorporating the conclusions and discussions at the meeting, would be circulated for members to approve before being submitted to Council and the OfS.
17. Council is asked to **note** the executive summary of the Audit and Risk Committee meeting held on 14 November 2018.