

AUDIT AND RISK COMMITTEE
Wednesday 09 November 2022

DRAFT UNCONFIRMED MINUTES

Present:

Peter Thompson (Chair)
James Hedges

Simona Fionda
Dr Alix Pryde

Celia Gough

In attendance:

James Aston [External audit]
Sharon Ellis
Charles Medley [Internal
audit]
Neil Thomas [Internal audit]

Professor Colin Bailey
Karen Kröger
Jonathan Morgan
Janice Trounson [mm.
2022.021-023]

Sarah Durrant [External audit]
Dr Nadine Lewycky
Thomas Skeen [mm.
2022.021-023]

Apologies:

None

Welcome, apologies and declaration of interests

2022.017 The Chair welcomed everyone to the meeting. No declarations of interests were made.

Planned internal audit reports [ARC2022/15]

2022.018 The Committee **considered** the planned internal audit reports. The following points were noted in the discussion:

- [a] The report on benefits realisation had received a rating of 'partial assurance with improvements required' (amber-red). Benefits were regularly discussed in relation to major infrastructure projects but this was not reflected in the Estates documentation. Good practice from the Strategy Delivery Office and IT would be shared to create standardised templates.

Internal Audit Annual Report for 2021–22 and Head of Internal Audit Opinion [ARC2022/16]

2022.019 The Committee **considered** the internal audit annual report for 2021–22 and Head of Internal Audit Opinion. The following points were noted in the discussion:

- [a] A new format had been proposed this year to reflect a change in the reporting requirements of the Office for Students, which no longer required an internal audit opinion. The new approach was more closely aligned with the CUC code. The Committee endorsed the new approach for reporting going forward, as it provided more detail on the basis for giving assurance.

[b] The Committee identified a couple of typos in the report. The report on master planning had been rated amber-red and an incorrect number of high priority actions were showing. The report would be amended before circulation to Council.

[c] There were no overdue actions at year end, including all actions from previous audits. The Committee commended management on the improvements in the audit ratings and for implementing recommendations in a timely manner.

Actions: [b] KPMG

Progress with the Internal Audit plan for 2022–23 [Oral report]

2022.020 The Committee **noted** progress with the Internal Audit plan for 2022–23 and **considered** a change to the plan. The following points were noted in the discussion:

[a] The university had been asked by the regulator for student residences, Universities UK (UUK), to complete and submit by April 2023 a full audit against the UUK code. It was proposed that this audit would replace the planned review of the Estates strategy. The Committee **approved** the change to the internal audit plan.

External Audit Annual Report for 2021–22 [ARC2022/17]

2022.021 The Committee **considered** the draft external audit annual report for 2021–22 and Letter of Representation. The following points were noted in the discussion:

[a] The audit was ongoing and expected to be completed before the end of November. It was anticipated that an unmodified audit opinion would be issued on the Group financial statements and on the financial statements of the subsidiaries.

[b] During the work, eight audit adjustments had been identified. Two errors had been adjusted which reduced the reported surplus and net assets by £5.3m. The remaining unadjusted errors would reduce the reported surplus by £39K. The auditors were satisfied with the unadjusted differences as they were not material.

[c] A Prior Period Adjustment had been identified in respect of the classification of investments between current and non-current. An error had also been identified in a previous note disclosure in relation to investment. The classification had no impact on comprehensive income but would be represented by a note on the balance sheet.

[d] Issues had arisen in drawing an accurate data set from payroll in a timely manner. The decision had been taken to move to substantive testing which delayed completion of the audit in this area. In order to avoid a recurrence of the issue a data run would be conducted later this year in preparation for next year's audit.

- [e] A number of deficiencies had been identified in the control environment. Some were the result of new auditors taking a fresh look at the control environment.
- [f] The Letter of Representation was not exceptional and contained the standard working used with universities.
- [g] Most of the outstanding matters were expected to be cleared by the end of the week. The accounts were not expected to change as a result of the outstanding work. It was expected that Council would be able to sign the accounts and letter of representation even if the audit had not been finalised by the meeting.
- [h] The Committee asked why the payroll analyser input had been unsuccessful. There had been issues with the interface with the HR system and one of the data runs had used incorrect parameters.
- [i] The reconciliation of payroll was outstanding. The Finance team ran monthly payroll reconciliations as standard, but BDO had requested an annual reconciliation which had been provided.
- [j] The Committee would be notified on completion of the audit and any changes to the accounts in order to be able to report to Council.

Actions: [j] Chief Financial Officer

Letter of representation [ARC2022/18]

2022.022 The Committee **considered** the letter of representation. The following points were noted in the discussion:

- [a] The Senior Executive Team had discussed the letter of representation and were comfortable with the items in the letter. The Committee **agreed to recommend approval** to Council of the letter of representation.

Audited financial statements 2021–22 [ARC2022/19]

2022.023 The Committee **considered** the audited financial statements 2021–22. The following points were noted in the discussion:

- [a] The reconciliation with the P12 management accounts resulted in a small number of adjustments that had an impact on the reported surplus for the year but was not material. An additional deferral of January start tuition fees was identified totalling £5.3m.
- [b] Council was responsible for ensuring that the financial statements were prepared on a going concern basis. The assessment had evaluated the period to 31 July 2024, a 20-month period from the date of approval of the financial statements. Current financial performance and the student enrolment position supports the financial budget and forecasts approved by Council in March 2022. A plausible downside scenario had been considered, which incorporated a 10% fall in international student fees and increased inflation on pay, non-pay and utilities. A stress case had also

been considered, which incorporated a fall in international student fees of 30% reduction in 2023–24 and further inflationary pressures. The analysis showed that, incorporating reasonable mitigations where required, the University would have sufficient funds to meet its liabilities and would be able to meet its loan covenants over the going concern period. Therefore, there did not seem to be significant doubt about the going concern basis.

- [c] The Committee said that the assumption of non-pay inflation at 5% above the budgeted for 2% appeared modest. This figure excluded utilities as some of our energy costs were fixed into next year. We would run another scenario showing the weighted average of all non-pay including utilities and circulate it to the Committee.
- [d] The attrition rate for overseas undergraduates had been higher than expected. Our modelling for student numbers had not taken account of the post-pandemic global market in HE where attrition rates were more unpredictable as other countries opened up to international students. We had achieved our overall targets but used the modelling to close individual programmes early which then suffered higher than expected attrition rates.
- [e] The Committee said that, in future years, the chart on page 23 of the financial statements showing the year-on-year change in surplus before other gains / losses should include the pension provision movement.
- [f] The Committee said that the section on key risks had not included mitigating actions for the risks related to the USS pension scheme. This was a sector-wide issue that could not be resolved by individual institutions. Reference could be made to the sector approach coming out of the 2020 valuation.
- [g] The Committee thanked BDO and the Finance Department for all their work on preparing the financial statements.

Actions: [c] Chief Financial Officer

Fire, Health and Safety Annual Report for 2021–22 [ARC2022/20]

2022.024 The Committee **considered** the fire, health and safety annual report for 2021–22. The following points were noted in the discussion:

- [a] The Committee asked how students were supported to embed a positive health and safety culture. Students received training in personal safety and collective responsibility during induction. Students in lab-based courses received further specialised training.
- [b] The Committee said that the level of near miss reporting appeared low. Part of the reporting period had been in lockdown which may account for the figure. The team would review the processes to ensure ease of reporting.
- [c] The Committee said that deadlines had not been provided for the outstanding actions. The paper provided a summary of actions and discussions were taking place in relation to the tracking and reporting of data.

- [d] The Committee asked about the challenges in recruiting staff with the right skills. This was a challenge across the sector but we had reviewed our roles and team structure to ensure that we were able to attract the right candidates.

Legal Compliance Annual Report for 2021–22 [ARC2022/21]

2022.025 The Committee **considered** the legal compliance annual report for 2021–22. The following points were noted in the discussion:

- [a] Compliance with the Office for Students (OfS) B conditions of registration had been highlighted as they had changed during the year. We would be working them through with Council over the coming year.
- [b] We were planning to report an event to the OfS in the next few weeks. We had received a letter before claim signed by c. 300 past and present Queen Mary students as part of a broader action seeking compensation for failure to deliver the promised education during the pandemic and industrial action. The majority of the 18 universities named were in the Russell Group. We would be meeting with leading counsel next week and would keep the Committee informed of any updates.
- [c] The Committee asked whether the funds set aside to cover legal claims was sufficient. Given the timescales, we did not expect to make provision in the next 12 months. The amount was not material and would not need to be referenced in the financial statements.
- [d] The Committee **agreed** that, on the basis of the information provided in the report and received throughout the year, it was satisfied that the university had adequate and effective measures in place to secure compliance with applicable law and regulation.

Recent correspondence with the OfS under the notification procedure [ARC2022/22]

2022.026 [a] The Committee **noted** recent correspondence with the Office for Students under the notification procedure on compliance with the ongoing conditions of registration in the context of current industrial action.

Prevent Duty Annual Return for 2021–22 [ARC2022/23]

2022.027 The Committee **considered** the Prevent Duty annual return for 2021–22. The following points were noted in the discussion:

- [a] We had not referred any prevent related cases during the reporting period. Earlier this week, we had reported four students in a connected matter. These would appear in next year's report.
- [b] The Committee **recommended approval** to Council of the Prevent Duty monitoring return 2021–22.

Research Integrity Annual Report for 2021–22 [ARC2022/24]

2022.028 The Committee **considered** the research integrity annual report for 2021–22. The following points were noted in the discussion:

- [a] Research misconduct reports had been low. The Research Misconduct Policy had been updated with external independent advice. A new Research Integrity Committee had been established to promote integrity and share sector best practice.
- [b] We had participated in discussions at the Russell Group research integrity forum about the Trusted Research agenda. We were working on introducing an online training module for researchers to improve understanding.

Whistle blowing cases since the last meeting [Oral report]

2022.029 *Minute 2022.029 is confidential.*

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

2022.030 *Minute 2022.030 is confidential.*

Draft Audit and Risk Committee Annual Report for 2021–22 [ARC2022/25]

2022.031 The Committee **considered** the second draft of the Audit and Risk Committee annual report for 2021–22. The following points were noted in the discussion:

- [a] The Committee asked for this year's positive internal audit reports to be summarised.
- [b] The year in paragraph 6.1 needed to be corrected to 2022.
- [c] The *in camera* meeting with the external auditors would happen after the meeting (para 5.1).
- [d] Paragraph 7.5 on external risks should be expanded to reflect the way that the look at the wider risk environment had shaped Committee thinking throughout the year.
- [e] The year needed to be added to the concluding paragraph.

Actions: [a – e] Committee Secretary

Minutes of the meeting held on 27 September 2022 [ARC2022/26]

2022.032 The Committee **confirmed** the minutes of the meeting held on 27 September 2022. The following points were noted in the discussion:

- [a] Sharon Ellis to be added to the list of attendees.
- [b] Minute 2022.004[a] to be expanded to include the Committee's comments on the need for benchmarking to understand the RAG rating for the KPI.

Actions: [a, b] Committee Secretary

Matters arising from previous meetings [ARC2022/27]

2022.033 The Committee **noted** the matters arising from previous meetings. The following points were noted in the discussion:

Deep dives

[a] The Committee discussed possible deep dive topics for its meetings in the new year. A deep dive on the new OfS B conditions would complement the work on academic assurance being done at Council and would be added to the agenda for the March meeting. A deep dive which focused on one element of the staff survey would be added to the June meeting.

Actions: [a] Committee Secretary

Draft agenda for the next meeting [ARC2022/28]

2022.034 The Committee **noted** the draft agenda for the next meeting on 13 March 2023.

Dates of meetings in 2022–23:

- Monday 13 March 2023 at 1500 hours, TBC.
- Thursday 22 June 2023 at 1500 hours, TBC.