

**AUDIT AND RISK COMMITTEE**  
Wednesday 4<sup>th</sup> June 2014

**DRAFT UNCONFIRMED MINUTES**

**Present:**

David Willis (Chairman)  
Melissa Tatton

Kathryn Barrow  
Anthony Walker

Elizabeth Hall

**In attendance:**

Professor Susan Dilly  
Jane Pallant  
Jane Tirard  
Emma Wynne

Claire Eustace [PwC]  
Nick Rolfe  
Janice Trounson

David Nida  
Mike Shore-Nye  
Stephen Wells

**Apologies**

Clive Everest  
Neil Thomas

Simon Linnett

David Marks

**Part 1: Introduction**

2013.051 The Chairman welcomed members and attendees to the meeting. The Chairman apologised to members for the large number of papers provided for the meeting and requested that in future, authors limit their papers to a maximum of six sides with any additional detail provided in appendices.

**Executive Summary and Minutes of the meeting 05 February 2014 [ARC2013/42 and ARC2013/43]**

2013.052 The Committee **confirmed** the non-confidential minutes and executive summary of the meeting held on 05 February 2014.

**Matters Arising [ARC2013/44]**

2013.053 The Committee **noted** the following matters arising from the minutes of the meeting on 05 February, which did not appear elsewhere on the agenda:

**Minute 2013.036 Planning and Accountability Review (PAR) Outcomes**

At the meeting on the 05 February 2014 two separate items were noted under Matters Arising (Minute 2013.036) as being dependent on the outcome of bids submitted under the PAR. The outcome of those bids were as follows:

**Internal Audits – IT Cyber Security**

IT Cyber Security Internal Audit. A bid was submitted under PAR to provide out of

hours cover and helpdesk support for the most critical IT applications (the full cost of which would be £375k pa). £100k was allocated to the provision of an out-of-hours service, covering the cost of overtime for staff volunteering to be on call to provide cover.

#### **Rationalisation of cost centres and coding schemes within Agresso**

A bid was approved for external resource to translate new work-flows for authorisation of payments through Agresso (in line with an updated scheme of delegation) onto the Agresso system for further testing, prior to roll-out over the remaining departments at QMUL. Compliance with Agresso was running at 90%.

## **Part 2: Risk Management**

### **Deep dive risk report: Estates and Facilities [ARC2013/45]**

2013.054 The Committee **noted** a Deep Dive risk report from the Director of Estates and Facilities. The following points were noted in discussion:

- [a] The Directorate was going through a period of significant cultural change, following a recent management restructuring exercise. The outcome of the exercise would ensure effective management of the estate and associated services through the establishment of a robust management structure.
- [b] The effective reporting of risk would be enhanced by the implementation of a revised governance structure. Sub-groups with focussed remits (e.g. capital projects, long term maintenance, sustainability) reported up to the Estates Strategy Board, which in turn, reported to Finance and Investment Committee.
- [c] The primary risk being managed by the Directorate concerned the long-term maintenance (LTM) backlog, the total liability of which amounted to £112m (as of July 2013) across both the residential and non-residential estate (based on a 10 year, long-term maintenance programme 2011-2021).
- [d] The sum of backlog maintenance would continue to increase if a sufficient level of investment was not made. This would lead to an increased risk of failure of infrastructure, potentially leading to closure of buildings and other aspects of core business.
- [e] Of the £17.1m investment QMSE approved in 2011 for projects associated with the reduction of backlog maintenance, only £7.5m had been released to date (2013-14). £2m was budgeted for LTM in 2014-15 and other capital projects (such as the G.O. Jones Building refurbishment) would also contain elements of backlog maintenance.
- [f] The highest priority for the Directorate was to remove statutory and high risk maintenance backlog, at a cost of between £45-50m. The remainder of the LTM backlog focussed around the condition of the estate. Under the

new QMUL Strategy, it was targeted that 90% of the estate would be improved to condition A or B.

- [g] The LTM backlog had been debated at Finance and Investment Committee, where the need for a guaranteed level of investment in the capital plan was recognised.
- [h] The risk of failing to achieve carbon reduction targets (35% by 2020) remained 'red', although the target was still considered valid. The current cost of implementing the Carbon Management Plan was £8m, funding for which had been on hold since approval in 2011. Refurbishments undertaken to address the LTM backlog would have elements of carbon reduction, but much progress could be made through behaviour change. £1m was budgeted for projects related to carbon reduction in 2014-15.
- [i] The Directorate was in regular communication with QMSU to monitor levels of student satisfaction with services provided. A suite of KPIs to measure satisfaction more precisely was being developed. Care was taken to avoid direct competition with overlapping QMSU services, such as catering.
- [j] Management was working hard to reduce absence from sickness. Although staff morale had been affected by the restructure, it was not felt this was related to salaries, as levels of pay were higher than that available in other institutions and sectors given QMUL paid the London Living Wage.

### **OHSD Annual Report 2012-13 [ARC2013/46]**

2013.055 The Committee **noted** the Occupational Health and Safety Directorate annual report. The following points were noted in discussion:

- [a] A change in senior leadership of the Occupational Health and Safety Directorate had led to a delay in the production of the annual report for 2012-13. In future, the report would be provided to the Committee at an earlier stage in the year (2013-14 report to the February meeting).
- [b] A deep dive risk report on Health and Safety would be received by the Committee at its meeting in September 2014.

### **Fire Safety Report [ARC2013/47]**

2013.056 The Committee **noted** a report on fire safety management arrangements at QMUL. The following points were noted in discussion:

- [a] Consideration of fire safety formed part of the 'Gateway' process for new-build and refurbishment projects and required the Fire Team to sign off projects at each stage.
- [b] A new call-checking procedure for fire alarms has significantly reduced London Fire Brigade attendances on campus and associated financial

penalties of £175 for each callout. Three callouts had occurred since January 2014 when the new penalty charges were put in place. A continued effort to educate students on fire safety had contributed to the reduction in the number of fire alerts.

- [c] £3.6m of the LTM backlog related to fire safety, with plans to complete all work within three years. This work primarily related to ensuring best practice, rather than addressing areas of legal non-compliance. A short briefing on the implied levels of risk being accepted by the prioritisation of work would be provided to the Committee under Matters Arising at the next meeting.

Action [c] Mike Shore-Nye

### **HEFCE Annual Assessment of Institutional Risk [ARC2013/48]**

2013.057 The Committee **noted** the outcome of HEFCE's Annual Institutional Risk Assessment. The following points were noted in discussion:

- [a] Based on the accountability returns submitted for 2012/13, HEFCE's overall assessment at this time was that QMUL was 'not at higher risk', recognising that QMUL had no immediate issues of financial sustainability.
- [b] The report had been noted by Council on the 27 May and would be discussed in more detail by the Finance and Investment Committee on 17 June.

### **New Strategic Risk Register [ARC2013/50]**

2013.058 The Committee **received** the new Strategic Risk Register. The following points were noted in discussion:

- [a] The register had been produced to coincide with the launch of the new QMUL Strategy and was fully aligned with its themes.
- [b] Members of Council had been given the opportunity to feed into the development of the register to ensure their main areas of concern were accounted for.
- [c] The approach was to describe *areas* of risk with the intention that schools and directorates would distil their own detailed risks as they relate to the risk areas. All registers would be in the same format as the overarching register, in order that the key areas of risk can be tracked through the organisation.
- [d] The register did not comprise a list of 15 risks, but set out controls on areas of business that had wide-ranging risks associated with them.
- [e] Once Council had approved the register in July, it would be used for the next Planning and Accountability Review, commencing autumn 2014.
- [f] An internal audit investigating how the register had been embedded

throughout the institution would be planned for report back to the Committee in June 2015.

[g] The Committee commended the Executive on the work that had gone into developing the register and **agreed** to recommend it to Council on the 08 July, subject to the following amendments:

- Column 2 would be titled 'Area of Risk' rather than 'Risk Description'.
- A residual risk score reflecting controls in place to-date would be incorporated into the register.

Action [g] David Marks

### **Developing the concept and use of 'Risk-Appetite' at QMUL [ARC2013/49]**

2013.59 The Committee **noted** a paper on the concept of 'Risk Appetite' at QMUL. The following points were noted in discussion:

- [a] The paper was intended to promote discussion on whether QMUL should develop a corporate view of its tolerance to risk. Such an approach had the potential to avoid a culture of risk-avoidance, provide guidance to the Executive on acceptable levels of risk, ensure resources were not deployed to mitigate less significant risks that would otherwise be acceptable and ensure a consistency of approach across the organisation.
- [b] An alternative approach was for a sub-group of the Audit and Risk Committee to consider the individual residual risk scores on the Strategic Risk Register, and apply judgement as to whether the scores were acceptable or not.
- [c] The value of considering risk and risk benefit within a conscious framework was considered helpful. The potential disadvantage of an overarching risk tolerance statement was that it removed the flexibility for variation depending on the type of risk.
- [d] The underlying concept was important, and worth consideration. The Committee agreed to come back to the idea at a later date once the Strategic Risk Register had been embedded.

### **Whistleblowing cases since the last meeting [Oral report]**

2013.060 The Committee **received** an oral report. No whistleblowing cases had occurred since the last meeting.

## **Part 3: Financial Control**

### **Value for Money Update [ARC2013/51]**

2013.061 The Committee **noted** a mid-year report on the achievement of Value for Money across the College. The following points were noted in discussion:

- [a] Finance and Investment Committee had discussed the report previously in February.
- [b] Value for Money (VFM) was an area the Committee was required to provide an opinion on in its annual report to Council and HEFCE. The Committee needed to be assured that the necessary systems and governance structures were in place to ensure VFM at the institution.
- [c] KPMG advised that the consideration of VFM could extend further than cost saving and procurement, to the effectiveness of VFM activities in relation to QMUL's core outputs, such as research quality and student satisfaction.
- [d] A wide range of activities already in place relating to the measurement of effectiveness and student satisfaction could be drawn upon to inform the reports. KPMG would also provide benchmarking on effectiveness that it had conducted against other institutions.
- [e] The Committee commended the work being done in this area.

#### **Annual Review of Financial Regulations & Scheme of Financial Delegation [ARC2013/52i and ARC2013/52ii]**

2013.062 The Committee **received** a confidential paper detailing updates to the Financial Regulations and Scheme of Delegation of Financial Authority.

- [a] The Committee reviewed the proposed changes and noted that the Finance and Investment Committee would also consider them before recommendation to Council for approval.
- [b] The Committee **approved** the changes outlined in the paper.

#### **Fraud/Financial Irregularities since the last meeting [ARC2013/53]**

2013.063 The Committee **received** a confidential report. The following points were noted in discussion:

- [a] One incident of fraud had occurred since the last meeting involving unauthorised spending on a corporate purchasing card. The individual concerned had offered their resignation, which was accepted.
- [b] Reminders had been sent to card and budget holders about the rules and procedures for using corporate purchasing cards.

### **Part 4: Statutory and Regulatory Compliance**

#### **Equalities Legislation Compliance [ARC2013/54]**

2013.064 *Minute 2013.064 is confidential*

### **Anti-bribery and Corruption Compliance Policies Update [ARC2013/55]**

2013.065 The Committee **received** a paper outlining progress on Bribery Act training across QMUL staff. The Committee also received the following policies which had been updated:

- Standards of Business Conduct
- Public Interest Disclosure (Whistleblowing policy)
- Fraud and Corruption Policy
- Anti-Bribery and Corruption Policy
- Anti-Money Laundering Policy

. The following points were noted in discussion:

[a] As of 30 April 2014 82.4% of staff had received training, including 235 non desk-based staff, which had been trained via targeted workshops.

[b] Three schools had low compliance scores (Dentistry, Economics and Finance and the School of Physics and Astronomy). A short update on progress with training in these schools would be provided under Matters Arising at the next meeting.

[c] The Committee **approved** the updates to the policies.

Action [b] Jane Tirard and Janice Trounson

### **HESA Annual Data Audit Letter [ARC2013/56]**

2013.066 The Committee **noted** the outcome of the HEFCE funding data reconciliation exercise of student returns made to HESA and HEFCE for 2011-12. The following points were noted in discussion:

[a] QMUL had not been selected to make a response as it had not exceeded the threshold criteria.

[b] The letter had been received from HEFCE on 04 October 2013 but had not been reported to the Committee at the time. The outcome would be added to the annual schedule of business to ensure timelier reporting in the future.

[c] Paragraph 4 of page two mistakenly reported that the Principal signed the student return on 12 November 2014. This should read 12 November 2013.

## **Part 5: Internal and External Audit**

### **Internal Audit Plan 2014-15 and Annual Report 2013-14 [ARC2013/57i and ARC2013/57ii]**

2013.067 The Committee **received** the Internal Audit Plan for 2014-15 and the Internal Audit Annual report for 2013-14. The following points were noted in discussion:

- [a] Annual audits were conducted on certain areas each year in order that KPMG could form an internal audit opinion for HEFCE. These areas included risk management, financial systems and data quality.
- [b] An audit on compliance with the UUK Code on Student Housing was also an annual requirement.
- [c] For the Research Accounting audit, additional resource had already been secured to start the preparation for the introduction of FRS102.
- [d] The Staff Development audit had been proposed in light of the new Strategic Plan to help identify areas of inconsistency and scrutinise value for money. Similarly, the Learning Development audit had a value for money aspect to it as it sought to understand how the service met the needs of students to improve their learning experience.
- [e] An audit on research governance and integrity should be conducted before the end of 2015-16 when Elizabeth Hall, who also chaired the Ethics of Research Committee, was due to step down from Council.
- [f] The IT Transformation Project was due to end in 2014-15. This might prove the right time to conduct a benefits analysis audit.
- [g] In light of the continued pressure on efficiency savings and value for money it was agreed to replace the Learning Development audit with a review into Value for Money. The audit would need to be carefully scoped and benchmarked against other institutions.
- [h] The Committee was pleased to see the opinion of the Head of Internal Audit for 2013-14 which confirmed that in their opinion, QMUL had satisfactory arrangements in order to provide assurance to Council over the effectiveness and adequacy of the risk management, control and governance processes. KPMG also confirmed that in its opinion, QMUL had adequate arrangements in place to promote economy, efficiency and effectiveness.
- [i] KPMG confirmed that significant improvements had been made within the areas of annual audit over the previous two years, particularly within Core Financial Systems. The Committee noted the hard work of Jane Tirard and Janice Trounson on this.
- [j] The Committee **approved** the Internal Audit Plan for 2014-15 subject to the addition of:
  - i. A Value for Money audit in place of the Learning Development Audit



- ii. The scope of the Risk Management audit to include the embedding of the new risk register across Schools and Departments (as detailed above in minute 2013.058 [f])

Action [j] Nick Rolfe

### **Internal Audit Reports [ARC2013/58]**

2013.068 The Committee **noted** the following Internal Audit Reports finalised since the last meeting. The following points were noted in discussion:

- [a] The outcome of the audits were as follows:
  - i. Payroll – rated ‘requires improvement’
  - ii. Data Quality – rated ‘requires improvement’
  - iii. Academic Governance – rated ‘adequate’
  - iv. Data Quality and Reporting over Student Retention – rated ‘requires improvement’
  - v. Managing Data in Relation to Student Satisfaction – rated ‘requires improvement’
  - vi. Core Financial Systems – rated ‘adequate’
- [b] No disagreements had been identified between auditors and management, with management noting that payroll was considered a high priority area for action.
- [c] In relation to student satisfaction, QMSU was co-ordinating with QMUL on the issuing of surveys. A new approach would be taken in September whereby returning students would be asked to reflect on their previous year, rather than surveying them at the end of their modules and programme. Surveys would be limited unless there was a clear rationale for the use of the data. Outcomes of surveys would be interrogated through the business intelligence tool.
- [d] The Committee commended the work to improve the QMUL’s core financial systems and thanked Nick Rolfe for KPMG’s work over the year.

### **Progress report on audit recommendations and areas of non-compliance [ARC2013/59]**

2013.069 The Committee **noted** the progress report on internal audit recommendations. The following was noted in discussion:

- [a] Good progress had been made since the report to the last meeting. Fewer recommendations were being added than were being closed, reducing the backlog.
- [b] In relation to Cash1201 the new Director of Research would be reviewing the process for the receipt of grant income from end-to-end. A research

management system was due to be introduced which would allow Principal Investigators to manage spend throughout projects.

- [c] In relation to Child and Vulnerable Adult Safeguarding, a change in directorships had led to this area not receiving the attention it needed. The Director of Student Services would be taking over accountability for safeguarding, formalising roles and updating the policy.
- [d] Dates for the completion of outstanding recommendations would be confirmed for the next meeting.

Action [d] Committee Secretary

### **External Audit Plan and headline issues [ARC2013/60]**

2013.070 The Committee **received** a confidential paper from the external auditors setting out their plan for the financial year ending 31 July 2014. The following points were noted in discussion:

- [a] The audit plan was considered fairly standard and did not reflect any major departures from the approach taken last year.
- [b] The fees were a reflection of discussions with the Director of Finance and included the same uplift that had been applied to the internal audit fee.
- [c] The improvements and assurances that were being seen through the internal audit work meant that in future, a discussion may be held on changes to the external audit approach. At the moment, a substantive audit would still be conducted.
- [d] The audit effort that would be released from the improvements outlined above meant that there would be some opportunity going forward to reduce fees. It was anticipated that the audit would be completed more quickly than previous years.
- [e] The Director of Finance would be monitoring progress with the audit closely, taking a 'no surprises' approach.
- [f] The Committee **approved** the External Audit Plan and the associated fee.

## **Part 6: Committee Management and Reporting**

### **Audit and Risk Committee Annual Report 2013-14 [ARC2013/61]**

2013.071 The Committee **noted** the second draft of the Annual Report for 2013-14.

### **Final Annual Schedule of Business 2014-15 [ARC2013/62]**

2013.072 The Committee **approved** the final Annual Schedule of Business for 2014-15.

## **Agenda for next meeting [ARC2013/63]**

2013.073 The Committee **noted** the agenda for the next meeting.

### **Any other Business**

2013.074 This was Tony Walker's last meeting as a member of the Audit and Risk Committee. The Chairman thanked Tony on behalf of the Committee and QMUL for all his efforts contributing to its work and wished him well for the future.

### **Dates of meetings 2014-15**

- Wednesday 10<sup>th</sup> September 2014, 1500 hours, Robert Tong Room
- Wednesday 5<sup>th</sup> November 2014, 1500 hours, Robert Tong Room
- Wednesday 4<sup>th</sup> February 2015, 1500 hours, Robert Tong Room
- Wednesday 3<sup>rd</sup> June 2015, 1500 hours, Robert Tong Room