

AUDIT AND RISK COMMITTEE
Thursday 11 November 2015

DRAFT UNCONFIRMED MINUTES

Present:

David Willis (Chairman)
Elizabeth Hall

Kath Barrow

Nadim Choudhary

In attendance:

Alison Anderson
Emma Bull

Sue Barratt (External Audit)
Sally Burtles (minute
2015.038)

Professor Edmund Burke
Eleanor Crossan

Paul Cuttle (Internal Audit)
David Marks
Jonathan Morgan
Janice Trounson

Professor Simon Gaskell
Joanne Jones
Mike Shore-Nye

Joanne Jones
Sian Marshall
Paul Thomas (External Audit)

Apologies

Simon Linnett

Melissa Tatton

Part 1: Preliminary Items

Welcome

2015.026 The Chairman:

- [a] Said that the detailed review of the fixed asset register initiated by the Finance team and the discovery relatively late in the process of an issue relating to the allocation of research overheads and the recognition of research income had resulted in the draft Financial Statements, External Auditor's report and annual report on value for money being circulated to the Committee less than 48 hours before the meeting. Members noted that this was disappointing but better than receiving draft versions before updated versions incorporating the results of the review were available. Members **agreed** to consider the papers submitted and to allow members some additional time following the meeting to submit any further, non-substantive comments to the Chairman, Secretary and Finance Director.
- [b] Welcomed Professor Edmund Burke, Vice-Principal (Science & Engineering), who had taken over responsibility for the strategic oversight of risk management and the chairmanship of the Strategic Risk Management Group (SRMG).
- [c] Welcomed Nadim Choudhary who had recently joined as a co-opted member of the Committee and would, from January 2016, take over the lead Committee responsibility for risk management when Elizabeth Hall stepped down from the Committee.

- [d] Welcomed Emma Bull who would be Interim Chief Operating Officer from 01 January 2016
- [e] Welcomed Alison Anderson, the new Head of Strategic Planning.
- [f] Said that Richard Learwood had resigned as a member of Council and Audit and Risk Committee following the Council meeting in October. It was hoped that a replacement would be appointed in time for the next meeting of the Committee in February 2016.

Executive Summary and Minutes of the meeting 14 September 2015 [ARC2015/13]

2015.027 The Committee **confirmed** the executive summary, non-confidential and confidential minutes of the meeting on 14 September 2015.

Matters Arising [ARC2015/14]

2015.028 The Committee **noted** the matters arising from the minutes of the meeting held on 14 September 2015. The following points were made:

Trade Effluent Consents

[a] *Minute 2015.028[a] is confidential.*

HEFCE audit of postgraduate research student data

[b] Good progress had been made with the action plan agreed with HEFCE in relation to the audit of postgraduate research student data. An update on progress would be considered by the Committee in February 2016.

Student recruitment reports to Council

[c] A working group had been convened to review the format of student recruitment reports to Council. Members **agreed** that the revised approach would provide more comprehensive information and a better understanding of the recruitment cycle. The Chairman thanked the working group for their efforts.

Part 2: External Audit

Audited Financial Statements 2014–15 [ARC2015/15]

2015.029 *Minute 2015.029 is confidential.*

External audit opinion on Financial Statements 2014–15 and management representation letter [ARC2015/16]

2015.030 *Minute 2015.030 is confidential.*

Update on FRS102 implementation [oral report]

2015.031 The Committee **noted** that a joint workshop for members of the Audit and Risk Committee and the Finance and Investment Committee would be held on 24 November 2015.

Part 2: Risk Management

'Deep dive' risk report (value for money) [ARC2015/17]

2015.032 The Committee **received** the 'deep dive' risk report on value for money (risk 12). The following points were made:

- [a] The report used an extract of the Strategic Risk Register and subsidiary registers (faculty, Professional Services, cross-cutting, etc.) to examine the approach to risk management in this risk area and the alignment of risk across the institution.
- [b] Value for money activity was currently largely driven by Professional Services and would require further embedding within the faculties, which had been highlighted by the internal audit of value for money activity.
- [c] The Committee **agreed** that the new format report was a useful exercise that provided an insight into the operation of risk registers across the institution and allowed issues with subsidiary registers to be identified. The report provided further assurance regarding the effectiveness of mechanisms for achieving value for money.

Strategic risk management

- Risk register [ARC2015/18]
- Risk appetite [ARC2015/19]

2015.033 The Committee **received** the quarterly report on QMUL's strategic risk management framework. The following points were made:

- [a] The increases in risk highlighted in the report in relation to research quantity and quality (risk 4) and Life Sciences (risk 5) were largely due to external factors such as the impending Comprehensive Spending Review and the turbulence at a strategic and operational level within Barts Health Trust.
- [b] The current control likelihood for student recruitment (risk 1) had reduced owing to the successful confirmation and clearing period in the context of the removal of student number controls and the improved procedures introduced within the Admission team. It was noted that there appeared to be considerable risk on the long term horizon in light of proposed changes to Government immigration policy. It was suggested that the SRMG should review the length of term over which risk is evaluated to ensure that the risk scores reflected both the annual cycle and the longer term position.
- [c] The Committee **agreed** to review risk only once during the Autumn term in future years to ensure more timely reporting between the SRMG and the Committee.

Action:
Council Secretariat: [c]

2015.034 The Committee **received** a paper on risk appetite in relation to the Life Sciences initiative. The following points were made:

- [a] The paper had been prepared following a request from the Committee that risk appetite be trialled for a strategically significant project. Staff in the Strategic Planning Office had worked with the Life Sciences Project Manager to review the risk register and define the risk appetite.
- [b] The methodology used sought to compare the median residual risk score for each strategic aim with the risk appetite defined by QMSE to determine whether further controls were required to manage risk within the defined appetite or whether risk was being over-mitigated below the appetite. From a value for money perspective, the over-mitigation of risk would enable consideration of spending levels on mitigating actions.
- [c] The Committee **agreed** that the methodology would provide a useful record of the consideration of risk prior to submission of a new project proposal to Finance and Investment Committee and Council for review. Members commended staff in the Strategic Planning Office for developing the approach.

Whistleblowing cases since the last meeting [Oral report]

2015.035 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

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

2015.036 The Committee **received** the Value for Money annual report and strategy. The following points were made:

- [a] The Committee **agreed** to defer consideration of the value for money strategy and the format and content of future reports until after the meeting. The Chairman would meet with the Chief Operating Officer and feed in any comments received by email from members.
- [b] Given the late adjustments to the accounts, the final outturn position was not yet known but it was likely that the target net margin of 4% would be missed based on the expected underlying operating performance. The reduction in staff costs as a percentage of income was a considerable achievement in light of continued investment in new staff. Whilst the target set for procurement savings was narrowly missed, members were satisfied that effective mechanisms were in place.
- [c] The report had been revised in light of feedback from KPMG who had undertaken an internal audit into value for money and benchmarked the

report against the sector. It was intended that future savings targets would be allocated to individual members of QMSE to oversee and monitor.

- [d] Overall, members were satisfied that the report provided evidence of significant progress both in expanding the breadth of activity and in achieving value for money.

Actions:

Chairman, Chief Operating Officer: [a]

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

2015.037 *Minute 2015.037 is confidential.*

Part 4: Statutory and Regulatory Compliance

MHRA Task and Finish Group report [ARC2015/21]

2015.038 *Minute 2015.038 is confidential.*

Legal compliance register [ARC2015/22]

2015.039 The Committee **received** a report on the legal compliance register. The following points were made:

- [a] QMUL's process for securing and providing assurance on legal compliance had been reviewed to address historical gaps in the legal compliance register and to introduce a more targeted approach that was informed by the consideration of compliance risks within the Strategic Risk Register.
- [b] Following the external review, the report had been revised to focus on new compliance areas, or areas where residual risks were currently highest, based on the Strategic Risk Register. Two new compliance areas with significant implications for institution were counter-terrorism and consumer rights.
- [c] In relation to consumer rights, QMUL staff would be provided with training to ensure that marketing was evidence based and to ensure that information provided was accurate. The appropriateness of terms of conditions had received media attention but QMUL had not been identified by the most recent Which? report.
- [d] Members considered the new approach to be helpful and were satisfied that the report provided sufficient evidence of assurance for the Committee to provide a view on this area in the Committee's report to Council and HEFCE.

The Prevent duty [ARC2015/23]

2015.040 *Minute 2015.040 is confidential.*

Part 5: Internal and External Audit

Internal Audit reports [ARC2015/24]

2015.041 The Committee **received** the internal audit report into the School of Medicine and Dentistry. The following points were made:

- [a] The report was rated 'significant assurance with minor improvement opportunities' (amber-green), and included one medium priority and two low priority recommendations.
- [b] The Committee **agreed** that the recommendation relating to the risk register should be discussed at the Strategic Risk Management Group and the recommendation regarding committee terms of reference and minutes should be shared with the Faculty Operating Officers.

Action:

Chief Operating Officer, Deputy Director of Strategic Planning: [b]

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

2015.042 The Committee **received** the progress report on internal audit recommendations and areas of non-compliance. The following points were made:

- [a] Members were satisfied that many of the actions had been closed down owing to the efforts of the Chief Operating Officer, although there remained a number that were very overdue.
- [b] The overdue action in relation to payroll data review and exception reporting (CFS01) had been allocated additional resource to expedite progress. The Director of HR was in the process of recruiting a payroll consultant. The Committee **agreed** to consider this action in detail at the next meeting, with the Director of HR in attendance, to understand the level of risk being carried by QMUL as a result of its non-completion.
- [c] The action relating to the management of overpayments (CFS01) had been completed.
- [d] Actions SMDP06 and SMDP07 in relation to the implementation of Service Level Agreements between the School of Medicine and Dentistry and the NHS Trusts were being taken forward by the Dean for Education, Professor Anthony Warrens. Completion of these actions remained outstanding due to delays caused by Barts NHS Trust.
- [e] Action SDS01 in relation to the coordination of staff development had been given a revised deadline of June 2016. Completion of the action had been delayed due to the resignation of the Head of Leadership Development and the appointment of a replacement. The Committee would expect full completion of the action by the revised deadline, with no further delays.

Action:

Director of HR: [b]

Annual review of Internal Auditor appointment [ARC2015/27]

2015.043 *Minute 2015.043 is confidential.*

Part 6: Committee Management and Reporting

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

2015.044 The Committee **received** draft 3 of the Audit and Risk Committee Annual report for 2014–15. The following points were made:

- [a] The report would be finalised and circulated for approval by members following the meeting before being submitted to Council on 24 November.
- [b] The Committee **agreed** that a report on the checks conducted in relation to the data returns to HEFCE, HESA and the Student Loans Company should be submitted to the Committee annually to provide assurance on data quality.
- [c] Members **agreed** that the report should record that the Senior Executive's contribution to the work of the Committee had been extremely positive and that considerable progress had been made under the leadership of the Chief Operating Officer. The Committee was confident that the Executive sought to learn from and to address any issues that arose in a timely way.

Actions:

Council Secretariat: [a], [c]

Council Secretariat, Finance Director: [b]

*CUC HE Code of Governance [ARC2014/60]

2014.045 The Committee **noted** the report on the Committee of University Chairs Higher Education Code of Governance.

*Committee schedule of business 2015–16 [ARC2014/62]

2014.046 The Committee **noted** the Committee schedule of business 2015–16.

*Draft Agenda for next meeting [ARC2014/62]

2014.047 The Committee **noted** the draft agenda for the next meeting on 14 September 2015.

Any other business

2015.048 The Chairman:

- [a] Thanked Mike Shore-Nye for the considerable improvements made under his leadership as Chief Operating Officer and his significant contribution to QMUL and the Committee. Mike would be leaving QMUL in December to take up the post of Registrar and Secretary at the University of Exeter.

[b] Thanked Elizabeth Hall for her significant contribution to QMUL and the Committee. In particular for her work with staff to develop an effective risk management framework and the support that she had provided to members of Council and the Committee. Elizabeth would step down from her role as Vice-Chair of Council in December.