



## Annual Report of Audit and Risk Committee 2022–23

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|--|---|
| <b>Outcome requested</b>                   | Council is asked to <b>consider</b> the Annual Report of the Audit and Risk Committee for 2022–23.  |
| <b>Executive Summary</b>                   | <p>In line with the CUC Audit Committees Code of Practice, the Audit and Risk Committee annual report has been produced for the governing body and head of institution, timed to support the preparation of the published financial statements. The report should include the Committee’s conclusions on the adequacy and effectiveness of the institution’s arrangements for:</p> <ul style="list-style-type: none"> <li>• risk management, control and governance;</li> <li>• sustainability, economy, efficiency and effectiveness (value for money);</li> <li>• and the quality of data submitted to regulatory bodies.</li> </ul> <p>The report should describe how the Committee discharged its duties and should include any significant issues arising during the financial year and the period up to the date of the report.</p> <p>The Committee should also report that it has confirmed with the internal and external auditors that the effectiveness of the internal control system has been reviewed.</p> <p>Information to be added following this meeting or when available is in <b>red text</b>.</p> |
| <b>QMUL Strategy:</b>                      | Financial sustainability  |
| <b>Internal/External reference points:</b> | Office for Students Terms and Conditions<br>CUC Audit Committees Code of Practice   |
| <b>Strategic Risks</b>                     | 14. Strategy implementation<br>15. Incident management and business continuity<br>16. Compliance  |
| <b>Subject to onward consideration by:</b> | Audit and Risk Committee 14 November 2023   |
| <b>Confidential paper under FOIA/DPA:</b>  | No  |
| <b>Equality Impact Assessment</b>          | Not required  |
| <b>Timing:</b>                             | Annual report   |
| <b>Author:</b>                             | Nadine Lewycky, Head of Secretariat   |
| <b>Date:</b>                               | 20 November 2023  |
| <b>Senior Management/</b>                  | Peter Thompson, Chair of Audit and Risk Committee   |

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| <b>External Sponsor</b> |  |
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## **Annual Report of Audit and Risk Committee 2022–23**

### **1. Introduction**

- 1.1. This is the annual report of the Audit and Risk Committee for the 2022–23 financial year. Under the CUC Audit Committees Code of Practice, the Committee should produce an annual report for the governing body and head of institution, timed to support the preparation of the published financial statements. The annual report should include the Committee's opinion of the adequacy and effectiveness of the institution's risk management, control and governance, sustainability, economy, efficiency and effectiveness (value for money), and the quality of data submitted to regulatory bodies. The report should describe how the Audit Committee has discharged its duties and should include any significant issues arising during the financial year and the period up to the date of the report.

### **2. Committee Constitution**

- 2.1. The Committee reviewed progress at each meeting against the annual business plan for 2022–23.

- 2.2. Members of the Committee (none of whom have executive authority):

*External Members of Council*

Peter Thompson (Chair)  
Patricia Gallan (from March 2023)  
Celia Gough  
Indy Hothi (from March 2023)  
Alix Pryde (to November 2022)

*Co-opted External Members*

Simona Fionda  
James Hedges

- 2.3. The following attended meetings of the Committee on a regular basis:

*Representatives of the Senior Executive and other senior officers*

|                        |   |
|------------------------|---|
| Professor Colin Bailey | President and Principal                           |
| Karen Kröger           | Chief Financial Officer                           |
| Jonathan Morgan        | Chief Governance Officer and University Secretary |
| Dr Sharon Ellis        | Chief Operations Officer                          |

*Representatives of the Internal Auditors*

|                |                            |
|----------------|----------------------------|
| Charles Medley | KPMG (to September 2023)   |
| Amy Taylor     | KPMG (from September 2023) |
| Neil Thomas    | KPMG                       |

*Representatives of the External Auditors*

|               |     |
|---------------|-----|
| James Aston   | BDO |
| Sarah Durrant | BDO |

- 2.4. Isabelle Jenkins, Treasurer and Chair of the Finance and Investment Committee, had access to the papers circulated to the Audit and Risk Committee via the board management software Convene. Arrangements were in place to facilitate appropriate liaison between the two committees.

2.5. *Secretary to the Committee*  
Dr Nadine Lewycky                      Head of the Secretariat

2.6. *Terms of Reference*  
The Committee reviewed its Terms of Reference at its meeting on 28 September 2023. No amendments were suggested to the Terms of Reference for 2023–24. The Terms of Reference are appended as Annex A.

2.7. *Committee Effectiveness*  
The Committee’s Terms of Reference require it to review its effectiveness on an annual basis. A review took place in summer 2023 and was reported to the Committee in September 2023. Throughout 2022–23, Committee meetings were conducted through a mix of in person and online meeting technology. There were no issues that prevented the Committee from discharging its responsibilities effectively.

**3. Meetings of the Committee**

3.1. The Committee met on the following dates since the start of 2022–23:

- 27 September 2022
- 09 November 2022
- 13 March 2023
- 22 June 2023
- 28 September 2023
- 14 November 2023

3.2. The following table records attendance at meetings by members.

|            | 27/09/22 | 09/11/22 | 13/03/23 | 22/06/23 | 28/09/23 | 14/11/23 |
|------------|----------|----------|----------|----------|----------|----------|
| S Fionda   | ✓        | ✓        | X        | ✓        | ✓        | ✓        |
| P Gallan   | N/A      | N/A      | X        | ✓        | ✓        | X        |
| C Gough    | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        |
| J Hedges   | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        |
| I Hothi    | N/A      | N/A      | X        | ✓        | X        | X        |
| A Pryde    | ✓        | ✓        | N/A      | N/A      | N/A      | N/A      |
| P Thompson | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        |

**4. Internal Audit**

4.1. Internal audit services in 2022–23 were provided by KPMG for a fee of £111,800 plus VAT. KPMG was re-appointed as the university’s internal auditors for a period of four years from 01 August 2022.

4.2. The total number of days allocated to internal audit during 2022–23 across all areas was 122. No restrictions were placed on the work of the Internal Auditors in 2022–23. The Committee considered progress reports on the 2022–23 audits at its meetings in September and November 2022, and March and June 2023.

4.3. The Internal Audit Annual Report for 2022–23 was considered by the Committee at its meeting on 28 September 2023. A summary of the internal audit findings is attached as Annex B. Members attended a private meeting with the Internal Auditors ahead of the Committee meeting on 28 September 2023. There were no points from this meeting that the Committee needed to draw to the attention of Council.

4.4. Eight scheduled audits agreed in the 2022–23 operational plan were completed during this reporting period and the Committee received individual reports from each audit.

4.5. Internal audit verdicts are classified according to a series of assurance levels, identified in the following table:

| <b>Assurance level</b> | <b>Classification</b>  |
|------------------------|--|
| <b>Green</b>           | Priority three only, or no recommendations<br>i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process.   |
| <b>Amber-green</b>     | One or more priority two recommendations<br>i.e. that there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring.  |
| <b>Amber-red</b>       | One or more priority one recommendations or an identified need to improve the systems in place to enable achievement of strategic aims and objectives.<br>i.e. the weakness or weaknesses identified have a fundamental impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks. |
| <b>Red</b>             | One or more priority one recommendations and fundamental design or operational weaknesses in the area under review.<br>i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and / or objectives; or result in an unacceptable exposure to reputational or other strategic risks.                  |

4.6. The outcomes of the reviews undertaken is summarised in the following table:

| <b>Review</b>            | <b>Outcome (rating)</b>  | <b>Number of Recommendations</b> |               |            |              |
|--------------------------|--|----------------------------------|---------------|------------|--------------|
|                          |  | <b>High</b>                      | <b>Medium</b> | <b>Low</b> | <b>Total</b> |
| Business cases           | Significant assurance with minor improvement opportunities (amber-green) | 0                                | 2             | 2          | 4            |
| Business continuity      | Significant assurance with minor improvement opportunities (amber-green) | 0                                | 2             | 2          | 4            |
| Clinical trials research | Significant assurance with minor improvement opportunities (amber-green) | 0                                | 1             | 4          | 5            |
| Core financial controls  | Significant assurance with minor improvement opportunities (amber-green) | 0                                | 2             | 2          | 4            |

|                            |  |   |   |   |   |
|----------------------------|--|---|---|---|---|
| International partnerships | Partial assurance with improvements required (amber-red)                 | 0 | 6 | 0 | 6 |
| Strategic risk management  | Significant assurance with minor improvement opportunities (amber-green) | 0 | 2 | 4 | 6 |
| Student accommodation      | Significant assurance  | 0 | 0 | 4 | 4 |
| Sustainability governance  | Partial assurance with improvements required (amber-red)                 | 0 | 4 | 2 | 6 |

- 4.7. Six of the eight internal audit reports received by the Committee this year had been rated 'significant assurance with minor improvement opportunities' (amber-green) and one was rated 'significant assurance' (green). There were no high priority recommendations. At the Committee meeting in September, five actions were overdue at the Committee (five medium and two low), and 28 actions not yet due. The Committee commended management for the recent improvements in ratings and for improving the time taken to implement recommendations.
- 4.8. The Committee considered the internal audit report on Master planning at its meeting on 27 September 2022. The review received a rating of 'partial assurance with improvements required' (amber-red) with three medium-level recommendations for control design and three low-level recommendations for operating effectiveness. The review found that the criteria for implementing the master plan in practice was subjective and proposed actions to improve consistency. Gaps were identified in the content of the master plan when benchmarked against other master plans. Strategic boards were focused on operational delivery and governance documents, such as terms of reference, needed to be updated. The Committee discussed the timeframes for delivering an updated master plan. KPMG confirmed following the meeting that the actions relating to the current master plan were expected to be completed this year with a wider piece scheduled for completion in 2023.
- 4.9. The Committee considered the internal audit report on benefits realisation at its meeting on 09 November 2022 which was rated 'partial assurance with improvements required' (amber-red). There were three medium-level and one low-level recommendations. Improvements had been identified in the way that benefits could be presented in Estates documentation for infrastructure projects so that it more closely reflected discussions. Good practice from the Strategic Delivery Office would be shared.
- 4.10. At its meeting on 28 September 2023, the Committee considered two reports rated 'partial assurance with improvements required' (amber-red). The report on international partnerships had four medium and two low priority recommendations. The report on sustainability governance had six medium recommendations. The ratings had been expected as the areas were being developed. The report on international partnerships focused on articulation partnerships which carried local reputational risks but not financial risks.
- 4.11. The Committee discussed the proposed areas for inclusion in the 2023–24 Internal Audit plan and five-year plan at its meeting on 22 June 2023. The Committee asked for the timing of the audits on student experience and graduate outcomes to be synchronized. The Committee asked the internal auditors whether, based on their experience elsewhere in the sector, there were topics that should be included. The internal auditors said that other Russell Group universities were including research

overheads in their plans this year. The Committee said that there was an opportunity to explore how internal audit could support assurance on academic quality and standards. The final plan was approved at the meeting on 28 September 2023.

## **5. External Audit**

- 5.1. External audit services for 2022–23 were provided by BDO for a fee of £248,395 plus VAT. Members attended a private meeting with the External Auditors after the Committee meeting held on 14 November 2023. There were no points arising from the private meeting that the Committee needed to be drawn to the attention of Council.
- 5.2. The Committee considered and approved the External Audit Plan for 2022–23 at its meeting on 22 June 2023.
- 5.3. The External Auditors' Report and management response for 2022–23 was considered by the Committee on 14 November 2023. There were no significant changes to the planned audit approach and no additional significant audit risks had been identified. Audit adjustments were identified that would reduce reported surplus by £400K and net assets by £400K. The report did not identify any non-compliance with Group accounting policies or the applicable accounting framework. No significant accounting policy changes had been identified. The auditors wished to draw attention to the draft going concern disclosures in the financial statements. The auditors work in this area was completed with no issues to note.

## **6. Approval of Financial Statements**

- 6.1. At its meeting on 14 November 2023 the Committee recommended that Council should approve the Financial Statements for 2022–23. **Council's decision at its meeting on 23 November 2023 was to approve the Financial Statements. (To be confirmed)**

## **7. Risk Management**

- 7.1. Queen Mary's approach to risk management is set out in its risk management framework which was reviewed by internal audit in 2017–18. The annual Internal Audit Operational Plan is aligned with identified risk areas.
- 7.2. The Committee received and discussed the Strategic Risk Register during 2022–23 at its meetings in September 2022, March 2023, and September 2023, and an update on KPIs and lead indicators in June 2023. The Committee reports to Council on its consideration of strategic risk through the provision of minutes to Council presented by the Chair of Audit and Risk Committee. This was done on 06 October 2022, 17 November 2022, 23 March 2023, 06 July 2023 and 05 October 2023.
- 7.3. The Committee considered bi-annual reviews of cyber security at its meetings in September 2022 and March 2023. In September 2022, the Committee heard that the university was working towards securing ISO 27001 cyber security accreditation in the next 18 months. Not many universities had achieved this accreditation and it would put us in a good place when applying for external grants where this was required. The Committee discussed reportable data breaches and found that we had less than one per year over the last five years. The Committee heard in March 2023 that we had improved our RAG rating on the JISC 16 cyber security list to four green and one red. The Committee heard about the challenges to recruiting to senior information security roles and that we had retained our external contractors to fill this gap for a further six months. The Committee discussed the low compliance with mandatory cyber security training and asked what steps were being taken to improve this. Discussions were being held with Heads of Schools and Institutes to push the mandatory training but more stringent measures could be introduced if necessary. Given the improvement in the RAG rating, the Committee agreed to receive an annual report with an update on the RAG status every six months.

- 7.4. In September 2023, the Committee received an update on the RAG status of the JISC cyber questions. Question 9 on keeping hardware and software updated was red. There were higher vulnerabilities in some parts of the University that used devices outside the centrally-managed service. We were working to migrate these areas in the next six months.
- 7.5. The Committee sought additional information from management and the internal auditors on key external risks throughout the year. Key risks included inflation and costs; the impact of the geo-political climate on international student recruitment; UK government policy and funding; industrial relations and the USS pension scheme. The Committee considered the severity and likelihood of risks, institutional resilience and review timeframes. The Committee considered the potential impact of external risks on the budget assumptions and forecasts. The external risks were used to guide the Committee's discussions on deep dive topics and to inform the internal audit plan.
- 7.6. The Committee received deep dive reports in the following areas:

*[a] National Student Survey and OfS Condition B3*

At its meeting on 13 March 2023, the Committee received a presentation on the National Student Survey and Office for Students Condition B3 (student outcomes). The Committee heard that a series of workshops was being held with the Heads of Schools and education leads to identify university-wide actions to enhance the student experience. There was significant variation in satisfaction levels across the university and areas requiring the most improvement had been identified. School and institute level action plans had been developed to sit under faculty level targets. The Committee discussed the new OfS condition B3 (student outcomes) which placed a requirement on providers to deliver positive outcomes for all students. Our performance would be measured against thresholds. We were above the threshold for all institutional level measurements but there were some split indicators that were below threshold. Where institutions were at risk of non-compliance, the OfS would undertake a deep dive.

*[b] Staff survey*

At its meeting on 22 June 2023, the Committee received a presentation on the Staff survey. The Committee heard that the goal of publishing institutional level results within three weeks had been achieved. Local action plans would be developed over the summer and reviewed by the steering group in the autumn. Engagement was marginally up on last year. Areas identified for improvement included support services, leadership, action being taken as a result of the survey and addressing poor performance. The Committee discussed the variation in response levels across the university and whether there was a correlation between negative feedback and high attrition. Staff satisfaction would be monitored in between surveys through other types of informal engagements. We were sharing our data with a number of other Russell Group universities for benchmarking and sharing good practice.

## **8. Legal Compliance**

- 8.1. At its meeting on 14 November 2023, the Committee considered an update on legal compliance reporting. Previous legal compliance reporting had followed an approach and timing established under the HEFCE regulatory framework. The OfS regulatory framework provided an opportunity to refresh and reinvigorate our approach. The Committee agreed to the proposed new reporting programme that would include an annual report and a rolling programme of deep dives into compliance areas. The Committee would receive the first annual report in March 2024.
- 8.2. The Committee considered the Prevent Duty Annual monitoring return for 2022–23. No external speakers were denied a platform in 2022–23. All key members in Prevent-related roles completed relevant training during the year. There were no serious issues as defined by the OfS. There were four external Prevent referrals related to the same

case. The Committee was satisfied, on the basis of the information provided, that the university had due regard for the requirements of the Prevent Duty and agreed to recommend approval to Council.

## **9. Value for Money (VfM)**

9.1. The university's approach to Value for Money (VfM) is outlined in the front narrative section of the financial statements which was considered by the Committee in draft at its meeting on 28 September 2023.

## **10. Public Interest Disclosure (Whistleblowing)**

10.1. The Committee received no reports of a disclosure under the whistle blowing policy between September 2022 and November 2023.

## **11. Serious incidents, including fraud and loss of assets**

11.1. Under the Financial Regulations, any suspicion of bribery, fraud, or other irregularity must be reported immediately to the Chief Financial Officer. There were two incidents reported to the Committee between September 2022 and November 2023. In June 2023, the Committee received a report about the theft of a number of laptops by an ITS contractor. The theft had been identified the same day and action taken to prevent any further incidents. A lessons learned exercise had been undertaken which included a review of access permissions. The matter had been referred to the Met Police for investigation. The Committee discussed management's decision not to report the incident to the OfS as a reportable event and agreed with the conclusion taking into consideration the fact that there had not been any other major thefts in the past five years.

11.2. In June 2023, the Committee heard that a cyber-attack had occurred on 14 May 2023 involving a number of servers in the Department of Electronic Engineering and Computer Science (EECS) being deleted. Early analysis discovered signs of unauthorised access and malicious activities. The cyber incident response plan (CIRP) was activated. A former employee, whose contract had ended in April, had been identified as the perpetrator and measures were put in place to prevent any further access to the EECS infrastructure. By 18 May, the impacted services had been restored. One of the lessons learned was how to identify earlier the potential for these situations to develop in the future. The incident had been reported to Action Fraud and the Metropolitan Police. It was agreed that the incident would not be reported to the Information Commissioner's Office (ICO) as no data had been extracted. The Committee asked management to consider reporting the incident to the ICO as a 'near miss'. The Committee said that both incidents involved access control and asked about the actions being taken. Work was underway to identify those with privileged access and to consider the appropriate response in a disciplinary situation. The Committee had been updated at its meeting in November 2023 with the actions taken.

## **12. Data quality and integrity**

12.1. A data quality review forms part of the annual Internal Audit Operational Plan. During 2022–23, the Internal Auditors undertook one data quality review. The review of the *Core financial systems* received an overall assurance rating of 'significant assurance with minor improvement opportunities' (amber-green) and had one medium and one low recommendation. The rating was driven by a largely well designed and implemented control framework with potential improvements around timely recoding of asset disposals.

12.2. The Committee considered the Transparent Approach to Costing (TRAC) return and methodology for 2021–22 at its meeting in March 2023. The TRAC (Teaching) return had been suspended by the OfS in 2019–20 and has not been reintroduced. The most significant change in our recovery of full economic cost (fEC) was the decrease in

recovery on publicly funded teaching, which decreased to 95.7% from 105.0% in 2020–21. This resulted from a number of factors including the removal of the London weighting element of the OfS teaching grant; increased teaching costs following the pandemic; inflation; and an increase in the proportion of home tuition fee students while the tuition fee income has been fixed. The Committee discussed the actions being considered to address this funding gap including teaching more students for the same cost. The recovery of fEC on external research grants had dipped slightly to 62.1% and actions were in train, including a new research overhead policy, to raise the recovery rate to 70%.

### **13. Opinion**

13.1. In line with the CUC Audit Committee code of practice, the Committee has reached the following opinions on the adequacy and effectiveness of Queen Mary's arrangements for:

- (i) *Risk management, control and governance*  
Queen Mary has adequate and effective arrangements in place for risk management, control and governance. This is evidenced by the Statement of Corporate Governance and Internal Control in the Financial Statements for 2022–23, the regular updates of the Strategic Risk Register, the deep dive and discussions at the Committee and the Head of Internal Audit Opinion.
- (ii) *Sustainability, economy, efficiency and effectiveness (Value for money)*  
Queen Mary has adequate and effective arrangements in place to achieve economy, efficiency and effectiveness. This is evidenced by the value for money section of the front of the accounts and the Head of Internal Audit Opinion.
- (iii) *The quality of data returned to regulatory bodies*  
Queen Mary has adequate and effective arrangements in place for the management and quality of data submitted to HESA, the OfS, the Student Loans Company and other public bodies. This is evidenced by the data quality reviews undertaken annually by the Internal Auditors; reports from management about the arrangements for ensuring robustness and integrity of external data returns; and the Committee's oversight of progress implementing recommendations arising from either internal or external review.

Peter Thompson  
Chair, Audit and Risk Committee  
17 November 2023

## **Audit and Risk Committee Terms of Reference 2022–23**

Audit and Risk Committee is a committee of Council, mandated by the Office for Students (OfS) under the Terms and conditions of funding for higher education institutions. The Committee oversees Queen Mary University of London (QMUL)'s arrangements for external and internal audit, financial control and risk management, providing assurances in these key areas through its annual report to Council, which is shared with the OfS.

### **1. External and Internal Audit**

- 1.1 To make recommendations to Council at least annually on the appointment of external and internal auditors.
- 1.2 To commission a competitive tendering process:
  - for external audit services at least every 7 years; and
  - for internal audit services at least every 5 years.
- 1.3 To oversee external and internal audit services by:
  - promoting co-ordination between external and internal audit services;
  - providing input to, and approving, an annual external audit strategy and internal audit plan;
  - reviewing reports and recommendations from the external and internal auditors;
  - reviewing the adequacy and implementation of the Executive response; and
  - reviewing the effectiveness and objectivity of the external and internal auditors.
- 1.4 To review the draft annual financial statements with the external auditors and recommend their adoption by Council following satisfactory resolution of matters raised.

### **2. Financial Control and data assurance**

- 2.1 To review the adequacy and effectiveness of the Executive's systems for:
  - management and quality assurance of external data returns;
  - financial control;
  - obtaining value for money; and
  - responding to alleged financial irregularities.
- 2.2 In relation to alleged financial irregularities:
  - to receive regular reports from the internal auditors and the Executive on reports received, investigations conducted and action taken; and
  - to obtain assurances that any significant losses have been appropriately disclosed and (where appropriate) reported to the OfS and other external bodies.

### **3. Risk management**

- 3.1 To review the effectiveness of mechanisms operated by the Executive for identifying, assessing and mitigating risks (including, where appropriate, mitigation by insurance).

- 3.2 To regularly consider the current status of core risks to the QMUL Strategy, through the review of data and documents presented by the Executive and derived from the Strategic Risk Register.
  - 3.3 To periodically test scores and controls in selected areas of activity through consideration of specific reports, including a biannual report on cyber security.
  - 3.4 To review the OfS's Annual Institutional Risk Assessment, audits undertaken by its Assurance Service and relevant findings by other bodies.
  - 3.5 To oversee the Public Interest Disclosure (whistle-blowing) policy and receive regular reports from the Executive on cases.
- 4. Legal and Statutory Compliance**
- 4.1 To consider an annual report on exceptions to legal and statutory compliance from the Executive, and request follow up action, including investigation and reporting where identified.
- 5. Committee evaluation**
- 5.1 To review the Committee's effectiveness and the suitability of its terms of reference annually.

#### **Membership of Audit and Risk Committee**

- No less than three and no more than five external members of Council, one of whom will be the Chair of the Committee.
- Up to two co-opted members who are external to QMUL and have relevant expertise.

#### **Mode of Operation**

1. Audit and Risk Committee meets at least three times per year. The Committee holds one annual *in camera* meeting with representatives of internal audit and one annual *in camera meeting* with representatives of external audit, normally immediately before scheduled meetings.
2. The Committee will prepare an annual report covering the institution's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Council and the President and Principal, summarising the activity for the year, and providing an opinion on the adequacy and effectiveness of the institution's control arrangements as required by the OfS Terms and conditions of funding for higher education institutions.
3. The Committee reports to the next meeting of Council following each of its meetings in the form of an executive summary of its minutes. Specific proposals requiring Council consideration and approval are identified in the terms of reference.