



Audit Annual Report and
Head of Internal Audit Opinion 2018–19

Outcome requested:	ARC is asked to consider the internal audit annual report, including Head of Internal Audit opinion.
Executive Summary:	<p>The report summarizes the work undertaken by KPMG, findings of each review and concludes with the 2018–19 Head of Internal Audit Opinion.</p> <p>The 2018/19 plan included nine reviews all of which were delivered, with the last report on Research Governance being considered by the Committee on 03 October 2019. This number and range of areas reviewed provides sufficient coverage to provide the Head of Internal Audit Opinion. 42 recommendations were raised in the course of the reviews with six high priority recommendations.</p> <p>The Head of Internal Audit Opinion is one of: ‘Significant assurance with minor improvements required’. The report confirms there is generally a sound system of internal control which is designed to meet QMUL’s objectives and that controls in place are being consistently applied in all key areas reviewed.</p>
QMUL Strategy:	Internal audit supports all areas of the strategic plan.
Internal/External regulatory/statutory reference points:	The CUC Higher Education Code of Governance The Memorandum of assurance and accountability between HEFCE and institutions, as adopted by the Office for Students
Strategic Risks:	16. Compliance
Equality Impact Assessment:	N/A
Subject to prior and onward consideration by:	Considered by SET before Audit and Risk Committee.
Confidential paper under FOIA/DPA	No
Author	Jessica Hargreaves and Neil Thomas, KPMG
Date	27 September 2019
Senior Management/External Sponsor:	Jonathan Morgan, Registrar and Secretary



Annual Report

(including Head of Internal Audit
Opinion)

Queen Mary, University of London

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September 2019

Content

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This report is provided pursuant to the terms of our engagement letter dated 01 August 2017. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in our engagement letter. This report is for the sole benefit of Queen Mary, University of London

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Any disclosure of this report beyond what is permitted under our engagement letter may prejudice substantially our commercial interests. A request for our consent to any such wider disclosure may result in our agreement to these disclosure restrictions being lifted in part. If the University receives a request for disclosure of the product of our work or this report under the Freedom of Information Act 2000 or the Freedom of Information (Scotland) Act 2002, having regard to these actionable disclosure restrictions Queen Mary, University of London should let us know and should not make a disclosure in response to any such request without first consulting KPMG LLP and taking into account any representations that KPMG LLP might make.



Queen Mary, University of London

Executive Summary

We are pleased to have provided your internal audit service for 2018/19. The highlights of the delivery of our services are summarised in this report:

<p>Planned Audit Coverage and Output</p>	<p>Our original 2018/19 plan included the delivery of nine reviews. We have delivered all of those reviews originally planned. This provides sufficient coverage to provide your Head of Internal Audit Opinion.</p>	<p>Page 4</p>
<p>Recommendations Raised</p>	<p>We have raised 42 recommendations in the course of the reviews we have delivered in 2018/19. We have raised six high risk recommendations in the 2018/19 period.</p> <p>We have followed up outstanding recommendation from past periods and have confirmed that 26 recommendations have been implemented during the year.</p> <p>The total number of internal audit recommendations outstanding at the time of writing this report is two. None of these are high priority.</p> <p>We have also performed an analysis of the underlying cause of recommendations raised and the drivers of your Head of Internal Audit Opinion over the strategic internal audit plan to help inform the focus of future internal audit work.</p>	<p>Page 5</p>
<p>Performance of Internal Audit</p>	<p>The KPMG internal audit service has complied with standards as issued by the Chartered Institute of Internal Auditors since our appointment as of 01 August 2017. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) or International Standard on Assurance Engagements (ISAE) 3000.</p> <p>The Council is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.</p> <p>As internal auditors of the University we are required by the Office for Students to provide a statement of the extent to which the Council can rely on the whole system of internal control within the University, as well as an opinion on the arrangements for securing value for money. In giving our opinion, it should be acknowledged, however, that total coverage of the whole system of internal controls is not possible and therefore only reasonable assurance can be provided that there are no major weaknesses in these processes.”</p>	<p>Page 6</p>
<p>Head of Internal Audit Opinion</p>	<p>The Head of Internal Audit Opinion is one of:</p> <p>Significant assurance with minor improvements required.</p> <p>Our work has confirmed that there is generally a sound system of internal control which is designed to meet the University objectives and that controls in place are being consistently applied in key areas reviewed.</p>	<p>Page 7</p>

Coverage and recommendations raised

We have completed the following reviews during the year:

#	Review	Assurance	Recommendations Accepted			
			H	M	L	Total
1	PGT Admissions	Partial assurance with improvements required	1	4	1	6
2	Managing Partnerships	Significant assurance with minor improvement opportunities	0	4	3	7
3	Research Governance	Significant assurance with minor improvement opportunities	0	2	1	3
4	Financial Management	Significant assurance with minor improvement opportunities	0	3	1	4
5	School audit: The Blizzard Institute	Significant assurance with minor improvement opportunities	0	1	3	4
6	School audit: Centre for Commercial Studies	Significant assurance with minor improvement opportunities	0	1	3	4
7	Research Overheads	Significant assurance with minor improvement opportunities	0	1	1	2
8	Business Continuity	No Assurance	3	4	0	7
9	Overseas Working	Partial assurance with improvements required	2	3	0	5
Total			6	23	13	42

The recommendation from the current and prior years work have progressed as follows:

Recommendations	Recommendations Accepted			
	H	M	L	Total
Total carried forward from previous periods	1	6	9	16
Add: New recommendations raised during the period	6	23	13	42
Remove: Recommendations implemented by 31 July 2019	(1)	(11)	(16)	(28)
Total current outstanding internal audit recommendations	6	18	6	30
Of which are considered over due:	0	0	0	0

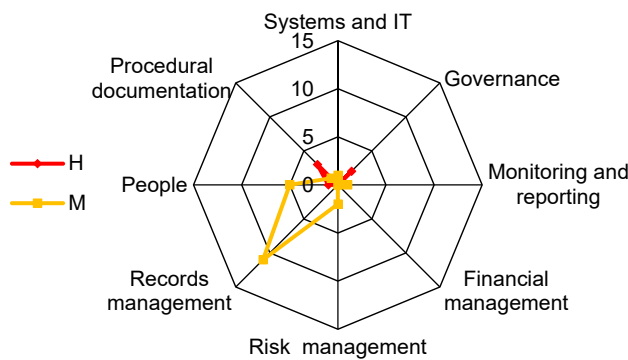
Coverage and recommendations raised

In order to provide an alternative view on the recommendations we have raised during the year we have developed a classification of the most likely underlying cause of the point raised, which impacts the statements for each category below:

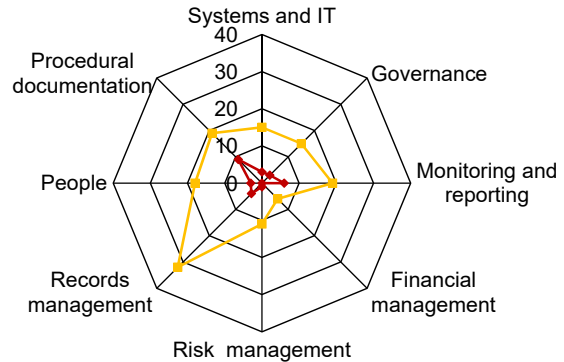
<p>Systems & IT The IT environment is not sufficiently robust to effectively integrate the process with other organisational processes.</p>	<p>Governance The process owner and manager do not have sufficient oversight of and are not held accountable for the outcomes of the process.</p>	<p>Monitoring & reporting Operational and financial reporting mechanisms are not in place to enable effective oversight of the inputs.</p>
<p>Financial management Financial management processes are not in place to enable commitments, budgets, expenditure and forecasts to be managed by accountable staff.</p>	<p>Risk management Risks associated with the process have not been identified, assessed, treated or actively managed by accountable staff.</p>	
<p>Records management Appropriate records are not maintained of key process decisions and outcomes.</p>	<p>People Staff do not demonstrate appropriate skills, experience and behaviours to effectively manage and operate the process.</p>	<p>Procedural documentation Fit for purpose documentation is not available to assist staff managing and operating the process.</p>

We have then classified each of the recommendations we have raised during the year into one of these categories to identify whether any these are emerging as themes which we should/may need to take account of in future work. We have shown the results below for both the University as well as those compared to a number of our Higher Education internal audit clients:

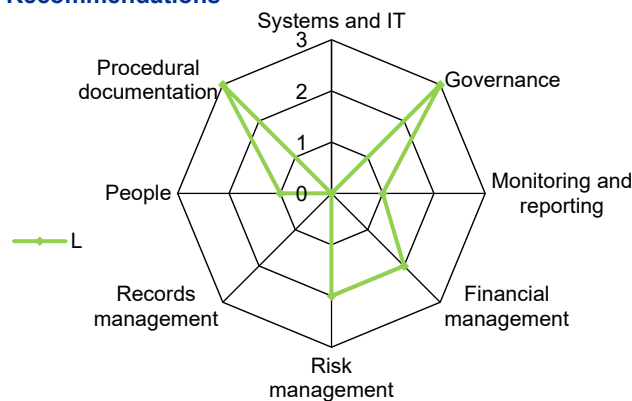
Queen Mary, University of London High and Medium Recommendations



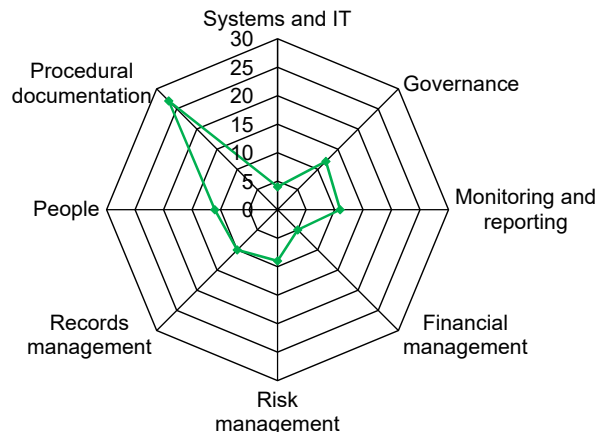
HE sector - High and Medium Recommendations



Queen Mary, University of London Low Recommendations



HE sector - Low Recommendations



Performance of internal audit

In addition to our continued compliance with standards as issued by the Chartered Institute of Internal Auditors we have monitored our performance against the following standards:

Indicator	Target	Performance
1 Delivery		
Completion of annual and three yearly plan within agreed timetable and budget (ensuring any additional days are agreed with the Finance Director)	100%	✓
Delivery of all reviews within the plan to the intended Audit and Risk Committee as agreed at the start of the period	100%	78%
Management responses to reports received and agreed within 10 working day of receipt of report	100%	44%
Final audit reports issued within five working days of management response	100%	✓
Terms of reference and final reports for all audits are agreed by the nominated Executive Director, who will ensure consultation has taken place with all relevant University	100%	✓
Implementation of accepted recommendations by due date	95%	✓
Proportion of 'due' recommendations followed up by Internal Audit at each Audit and Risk Committee	100%	✓
2 People		
Achievement of consultation with University staff in reviews	100%	✓
Percentage of staff with relevant CCAB/MIAA qualifications – Core team	>50%	✓
Percentage of staff with enhanced DBS clearance	100%	✓
KPMG quarterly update training completed by audit team members	100%	✓
3 Processes		
Terms of references agreed with management at least 5 working days before planned commencement of audit	100%	✓
Respond to all emails and requests for assistance within one working day	100%	✓
Use of latest techniques in audit work (statistical and sampling)	100%	✓
Specialist input provided into all relevant reviews	3 reviews	2 reviews
Provision of benchmarking into all relevant reviews	3 reviews	✓
4 Quality of service		
Compliance with relevant mandatory and professional standards including PSIAS	100%	✓
Recommendations accepted by management	95%	✓

Two of our nine reviews were presented at the Audit and Risk Committee following the originally intended meeting. These delays were due to an increase in the scope of each of the reviews, as well as accommodating staff availability at the University and KPMG.

While we only received management responses within 10 working days of the issue of our draft reports for 44% of our reviews, in 100% of cases the responses were received within the reporting timeline agreed with the University. For a number of reviews management wish to take our draft report through relevant group and committee meetings. The scheduling of these meetings can result in management responses being provided outside of the 10 working day timeline.

Head of Internal Audit Opinion 2018/19

Basis of opinion for the period 1 August 2018 to 31 July 2019

Our internal audit service has been performed in accordance with KPMG's internal audit methodology which conforms to 'Memorandum of Assurance and Accountability between HEFCE and Institutions (June 2014/12)', subsequently adopted by the Office for Students. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) or International Standard on Assurance Engagements (ISAE) 3000. The Office for Students requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform our work to obtain sufficient, appropriate evidence on which to base our conclusion.

Roles and responsibilities

The Council is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Head of Internal Audit (HoIA) is required to provide an annual opinion in accordance with 'Memorandum of Assurance and Accountability between HEFCE and Institutions (June 2014/12)', as subsequently adopted by the Office for Students for 2018-19, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the system of internal control). This is achieved through a risk-based programme of work, agreed with Management and approved by the Audit & Risk Committee, which can provide assurance, subject to the inherent limitations described below.

The opinion does not imply that the HoIA has covered all risks and assurances relating to the University. The opinion is derived from the conduct of risk-based plans generated from a robust and Management-led risk and assurance processes.

Opinion

Our opinion is set out as follows:

- Basis for the opinion;
- Overall opinion; and
- Commentary.

Basis for the opinion

The basis for forming our opinion is as follows:

- An assessment of the design and operation of the underpinning aspects of the risk and assurance framework and supporting processes; and
- An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas; and
- An assessment of the process by which the organisation has assurance over its registration requirements of its regulator(s).

Head of Internal Audit Opinion 2018/19

Overall opinion

Our overall opinion for the period 1 August 2018 to 31 July 2019 is that:

'Significant assurance with minor improvements' can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Opinion on risk management, control and governance for the period 1 August 2018 to 31 July 2019

Significant assurance with minor improvements can be given on the overall adequacy and effectiveness of the organisation's framework of risk management, control and governance. A number of our reviews considered governance and risk related controls. From some systems, such as Research Governance and within our School audits we found controls to be effective for others, such as business continuity and overseas working we have identified areas for improvement as noted below

Opinion on value for money for the period 1 August 2018 to 31 July 2019

We consider that Queen Mary, University of London has adequate and effective arrangements in place to promote economy, efficiency and effectiveness.

Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety. Our opinion covers the period 1 August 2018 to 31 July 2019 inclusive, and is based on the nine audits that we completed in this period.

The design and operation of the Assurance Framework and associated processes

The University's Risk Framework does reflect the University's key objectives and risks and is regularly reviewed by the Council. The Executive reviews the Risk Framework on a regular basis and the Audit and Risk Committee provides reviews whether the University's risk management procedures are operating effectively.

The range of individual opinions arising from risk-based audit assignments, contained within our risk-based plan that have been reported throughout the year

We issued two partial assurance reports and one no assurance opinions in respect of our 2018/19 assignments. These partial or no assurance reports related to PGT Admissions, Overseas Working and Business Continuity.

We raised six high risk recommendations in the period which relate to:

- PGT Admissions;
- Overseas Working; and
- Business Continuity.

This does not prevent us from issuing significant with minor improvements assurance as the organisation is implementing the recommendations raised as a result of our work to address the issues identified. The agreed implementation dates of these recommendations have not fallen due at the financial yearend however through our regular inquiries with management we note good progress has been made regarding their implementation.



KPMG LLP
Chartered Accountants
London
12 Sept 2019



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