



Annual Report of Audit and Risk Committee 2020–21

<b>Outcome requested</b>	Audit and Risk Committee is asked to <b>note</b> the first draft of the Annual Report for 2020–21. The final report will be submitted to Council in November.
<b>Executive Summary</b>	<p>Under the Office for Students (OfS)’s Terms and conditions of funding for higher education institutions, the Committee is required to produce an Annual Report for submission to Council and the OfS. The report must include the Committee’s conclusions on the adequacy and effectiveness of:</p> <ul style="list-style-type: none"> <li>• Queen Mary’s risk management, control and governance arrangements;</li> <li>• arrangements for promoting economy, efficiency and effectiveness;</li> <li>• arrangements for the management and quality assurance of data submitted to HESA, the Student Loans’ Company, the OfS and other funding bodies.</li> </ul> <p>The report should also record the Committee’s work in relation to:</p> <ul style="list-style-type: none"> <li>• the internal and external auditors;</li> <li>• Queen Mary’s arrangements in respect of risk management, value for money and data quality;</li> <li>• the audit of the annual financial statements.</li> </ul> <p>The report covers the 2020–21 financial year and, as required by HEFCE, records any significant issues up to the date of signing the report and the Committee’s consideration of the financial statements for the year.</p> <p>Information to be added following this meeting or when available has been highlighted in <b>red</b>.</p>
<b>QMUL Strategy:</b>	Financial sustainability
<b>Internal/External reference points:</b>	Office for Students Terms and conditions of funding; CUC Handbook for Members of Audit Committees in Higher Education Institutions.
<b>Strategic Risks</b>	<p>11. Delivery of Estates and IT enabling plans 12. Improved cash generation to enable investment 14. Strategy implementation 15. Incident management and business continuity 16. Compliance</p>
<b>Subject to onward consideration by:</b>	A second draft of this report will be considered by the Committee on 09 November 2021 before going to Council.

<b>Confidential paper under FOIA/DPA:</b>	No
<b>Equality Impact Assessment</b>	Not required
<b>Timing:</b>	Submission to Council on 18 November 2021 and to the OfS
<b>Author:</b>	Dr Nadine Lewycky, Assistant Registrar (Governance)
<b>Date:</b>	22 September 2021
<b>Senior Management/ External Sponsor</b>	David Willis, Chair of Audit and Risk Committee

## Annual Report of Audit and Risk Committee 2020–21

### 1. Introduction

- 1.1. This is the annual report of the Audit and Risk Committee for the 2020–21 financial year. The report has been prepared with reference to the Office for Students' (OfS) Terms and Conditions of Funding for Higher Education Institutions and Regulatory Notice 2. It also refers to the CUC Handbook for Members of Audit Committees in Higher Education Institutions. It forms part of the evidence through which Queen Mary gives assurance to the OfS about the use of public funds.

### 2. Committee Constitution

- 2.1. The Committee reviewed progress at each meeting against the annual business plan for 2020–21.

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

*External Members of Council*

David Willis (Chair)

Alix Pryde

Melissa Tatton (to December 2020)

Peter Thompson

*Co-opted External Members*

Simona Fionda

James Hedges (from January 2021)

- 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 (from December 2020)

Jonathan Morgan

Chief Governance Officer and University Secretary

Paula Sanderson

Chief Operations Officer (to July 2021)

Catherine Murray

Director of Strategic Planning

Janice Trounson

Deputy Director (Financial Controls)

*Representatives of the Internal Auditors*

Charles Medley

KPMG

Neil Thomas

KPMG

*Representatives of the External Auditors*

Michelle Hopton

Deloitte (from July 2021)

Julian Reeve

Deloitte (to July 2021)

Craig Wisdom

Deloitte

- 2.4. Luke Savage, 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

Assistant Registrar (Governance)

## 2.6. *Terms of Reference*

The Committee reviewed its Terms of Reference at its meeting on 08 June 2021. The Committee agreed that a paragraph should be added to reflect its role in overseeing the university's cyber security arrangements. **The Committee reviewed a mapping of its terms of reference and operation against the CUC's Audit Committee Code of Practice at its meeting on 29 September 2021.** 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. Due to the coronavirus pandemic, the Chair and Committee Secretary agreed to postpone the annual effectiveness review until early 2021. A review of effectiveness took place in spring 2021 and reported to the Committee in June 2021. Throughout 2020–21, the Committee continued to conduct its meetings via Zoom to ensure the continuance of effective governance. 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 2020–21:

- 01 October 2020;
- 29 October 2020;
- 10 November 2020;
- 09 March 2021;
- 08 June 2021;
- 29 September 2021;
- 09 November 2021.

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

	01/10/20	29/10/20	10/11/20	09/03/21	08/06/20	29/09/21	09/11/21
S Fiona	✓	✓	✓	✓	✓		
J Hedges	N/A	N/A	N/A	✓	✓		
A Pryde	✓	✓	✓	✓	✓		
M Tatton	✓	✓	✓	N/A	N/A	N/A	N/A
P Thompson	✓	✓	✓	✓	✓		
D Willis	✓	✓	✓	✓	✓		

## 4. **Internal Audit**

4.1. Internal audit services in 2020–21 were provided by KPMG for a fee of **£84,950 (plus £10,000 contingency)** plus VAT. KPMG was reappointed as Queen Mary's Internal Auditors in April 2017 for a period of four years following a tender process.

4.2. The total number of days allocated to internal audit during 2020–21 across all areas was **140, which was the same as 2019–20**. No restrictions were placed on the work of the Internal Auditors in 2020–21. The Committee considered progress reports on the 2020–21 audits at its meetings in November 2020, March 2021 and June 2021.

4.3. The Internal Audit Annual Report for 2020–21 was considered by the Committee at its meeting on 29 September 2021. 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 29 September 2021. **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 2020–21 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:

Assurance level	Classification
<b>Green</b>	Priority three only, or no recommendations 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 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. 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. 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:

Review	Outcome (rating)	Number of Recommendations		
		High	Medium	Low
UUK compliance (Housing)	Amber-Green	0	2	4
Digital learning	Amber-Green	0	1	1
Financial control and governance during Covid	Amber-Green	0	2	2
Faculty review (School of Medicine and Dentistry)	Amber-Green	0	0	4
Student satisfaction	Amber-Green	0	3	4
Workforce health and wellbeing	Amber-Green	0	2	5
TRAC	Green	0	0	2
Data quality: student data	Amber-Red	0	5	3

- 4.7. The Committee agreed to consider the 2020–21 Internal Audit Operational Plan in two phases. The first draft plan was considered at its meeting on 10 June 2021. **The Committee approved the final plan at its meeting on 29 September 2021.**

## 5. External Audit

- 5.1. Deloitte were appointed as Queen Mary’s External Auditors for 2020–21. The fee for 2020–21 in respect of external audit services was £137,760 plus VAT. Members attended a private meeting with the External Auditors ahead of the Committee meeting held on 09 November 2021. **There were no points arising from the private meeting that the Committee needed to draw to the attention of Council.**
- 5.2. The Committee considered and approved the External Audit Plan for 2020–21 at its meeting on 09 March 2021.
- 5.3. The External Auditors’ Report and management response for 2020–21 was considered by the Committee on **09 November 2021**. **The report included recommendations in relation to the accounting of fixed assets, research expenses, operating lease**

disclosure and foreign exchange differences, all of which have been accepted by QMUL. The Committee gave detailed consideration to these recommendations, included in Annex C, which will be monitored by the Committee to ensure that effective controls are in place.

- 5.4. The External Auditors' Report concluded that the audit identified no material issues. The External Auditors stated that the financial reporting control environment appears to be robust and no material control matters were drawn to our attention.

## 6. Approval of Financial Statements

- 6.1. At its meeting on 09 November 2021 the Committee recommended that Council should approve the Financial Statements for 2020–21 subject to amendments to: the presentation of the strategy, and the relationship between the strategic objectives and key risks; and the completion of the note on the President and Principal's remuneration with text approved by the Chair of the Remuneration Committee. Council's decision at its meeting on 19 November 2020 was to approve the amended Financial Statements. The Committee will discuss the two issues at its next meeting.

## 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 2020–21 at its meetings in October 2020, March 2021, June 2021 and September 2021.
- 7.3. The Committee discussed reputational risk in relation to senior staff appointments. The matter had been referred from Remuneration Committee which had raised a risk management issue in respect of the proper consideration of reputational risks in relation to a potential senior level appointment. It was reported to Audit and Risk Committee that the business case template and sign off process had been updated in response to the concerns raised. The Committee asked what assurance was being provided that due diligence had taken place and was informed that contextual information around engagement could be provided if necessary. The Committee said that reputational risks needed to be considered more broadly across the institution, and assurance provided that an appropriate governance framework and escalation process were in place. A risk scoring framework had been developed to support the institutional and local risk registers, and considered as part of the reporting on the Strategic KPIs.
- 7.4. Reports on strategic risk were provided to Council by the Chair of the Audit and Risk Committee at its meetings on 08 October 2020, 19 November 2020, 25 March 2021, 08 July 2021, and 07 October 2021.
- 7.5. The Committee received deep dive reports in the following areas:
- [a] *Admissions*  
At its meeting on 29 September 2021, the Committee received a presentation on trends in international student recruitment.
- 7.6. The Head of Internal Audit Opinion considers that significant assurance with minor opportunities for improvement can be given on the overall adequacy and effectiveness of the organisation's framework of risk management, control and governance.

## 8. Legal Compliance

- 8.1. The Committee considered a report on Queen Mary's legal compliance framework at its meeting on 09 November 2021. The framework comprises identification of relevant

legislation, current areas of work, and the infrastructure of policies, guidelines, training and professional expertise.

- 8.2. On the basis of the information provided, the Committee was satisfied that Queen Mary has adequate and effective measures in place to secure compliance with applicable law and regulation.

## 9. Value for Money (VFM)

- 9.1. The Committee received an update on the university's approach to Value for Money (VfM) at its meeting on 09 November 2021. In light of the fact that the Office for Students had not issued direct guidance on the format of VfM reporting, the Committee resolved in March 2019 to meet its own responsibilities in relation to VfM by monitoring the same metrics as in previous years.

- 9.2. The Internal Audit Annual Report stated that "We consider that Queen Mary University of London has adequate and effective arrangements in place to promote economy, efficiency and effectiveness."

## 10. Public Interest Disclosure (Whistleblowing)

- 10.1. The Committee received one report of a disclosure under the whistle blowing policy between September 2020 and November 2021.

## 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 Operating Officer. There had been one incident reported to the Committee between September 2020 and November 2021.

[a] In September 2020 it was reported that there had been an incident that had highlighted control weaknesses in our monthly submission to HMRC. A manual keying error resulted in the incorrect bank details being entered. The error was not picked up through the usual control checks. Once the mistake was identified, the recall process was initiated with the bank and the funds returned the next working day. Although no money had been lost, the payment had been for £6.4m. In future, the payee's details would be included on documents which would allow for errors to be spotted during visual checks.

## 12. Data quality and integrity

- 12.1. A data quality review forms part of the annual Internal Audit Operational Plan. During 2020–21, the Internal Auditors undertook a review of the strategic KPIs, Part 2. This review received an overall assurance rating of 'significant assurance with minor improvement opportunities' (amber-green) and had two medium and three low recommendations. The review determined that there were robust processes and controls to ensure relevant and reliable data with controls in place across all data characteristics.

- 12.2. The Committee considered the processes for the completion of the Transparent Approach to Costing (TRAC) return 2019–20 at its meeting on 09 March 2021. The Committee was informed that the TRAC advisory group had met and found nothing of significance in the results. The process had been audited in 2018 by KPMG and had received a high review rating. The Committee sought and received assurance from the President and Principal as the accounting officer that he was content for the return to be signed off. The Committee approved the processes for completing the TRAC return for 2019–20.

- 12.3. The Committee received a report on the management and quality assurance of external data returns at its meeting on 09 November 2021. The report showed that Queen Mary

had robust assurance processes in place which were proportionate to the risk associated with each return.

### **13. Opinion**

13.1. In accordance with Annex C of the OfS's Terms and Conditions of Funding for Higher Education Institutions, the Committee has reached the following opinions on the adequacy and effectiveness of Queen Mary's arrangements for:

- (i) *Risk management, control and governance*
- (ii) *Economy, efficiency and effectiveness (Value for money)*
- (iii) *The management and quality assurance of data returns to external bodies*

David Willis  
Chair, Audit and Risk Committee  
xx November 2021

Annex A: Terms of Reference  
Annex B: Head of Internal Audit Opinion  
Annex C: External Audit Report – Recommendations and management responses  
considered by the Committee on 09 November 2021.





**Audit and Risk Committee  
Terms of Reference 2019–20**

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.
  - 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 an *in camera* meeting with the representatives of internal and external audit on two occasions per year, 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.