



Annual Report of Audit and Risk Committee 2014–15

Outcome requested	Council is asked to approve the Annual Report for 2014–15 for submission to HEFCE.
Executive Summary	<p>Under the HEFCE Memorandum of Assurance and Accountability the Committee is required to produce an Annual Report for submission to Council and HEFCE. The report must include the Committee's conclusions on the adequacy and effectiveness of:</p> <ul style="list-style-type: none"> • QMUL's risk management, control and governance arrangements; • arrangements for promoting economy, efficiency and effectiveness; • arrangements for the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies. <p>The report should also record the Committee's work in relation to:</p> <ul style="list-style-type: none"> • the External Auditors' management letter; • the Internal Auditors' annual report; • value for money; • the annual financial statements; • any HEFCEAS reports, or other evaluations. <p>The report must record any significant issues up to the date of signing which affect the opinion.</p>
QMUL Strategy:	6. To achieve and sustain financial strength to enable our academic ambitions, through a balanced portfolio of activities.
Internal/External reference points:	HEFCE Memorandum of Assurance and Accountability; CUC Handbook for Members of Audit Committees in Higher Education Institutions.
Strategic Risks	11. Financial strength through a balanced portfolio of activities; 12. Cost control, VFM and expenditure; 13. Maintain effective and constructive governance; 15. Security of people, assets and data; appropriate contingency arrangements for facilities and functions.
Subject to onward consideration by:	The final version of this report was approved by Audit and Risk Committee by email circulation following its meeting on 12 November 2015. The report will be submitted to HEFCE following approval by Council.
Confidential paper under FOIA/DPA:	No
Equality Impact Assessment	Not required
Timing:	Submission to Council on 24 November 2015 and HEFCE by 01 December 2015.

Author:	Sian Marshall, Assistant Registrar (Council and Governance)
Date:	13 November 2015
Senior Management/ External Sponsor	David Willis, Chairman of Audit and Risk Committee

Audit and Risk Committee Annual Report 2014–15

1. Introduction

- 1.1. This is the Audit and Risk Committee's Annual Report for the 2014–15 financial year. It has been prepared in accordance with and reference to the HEFCE Memorandum of Assurance and Accountability and the CUC Handbook for Members of Audit Committees in Higher Education Institutions.

2. Committee Constitution

- 2.1. The Committee reviewed progress at each meeting against the annual business plan for 2014–15.

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

External Members of Council

David Willis	(Chairman)
Kathryn Barrow	
Elizabeth Hall	
Richard Learwood	(from November 2014 until October 2015)

Co-opted External Member

Nadim Choudhary	(from October 2015)
Melissa Tatton	

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

Representatives of the Senior Executive and other senior officers

Nirmal Borkhataria	Interim Finance Director (from January to June 2015)
Professor Edmund Burke	Vice-Principal (Science and Engineering) (from October 2015)
Professor Susan Dilly	Vice-Principal (Student Experience, Teaching & Learning) (until July 2015)
Joanne Jones	Finance Director (from June 2015)
David Marks	Deputy Director of Strategic Planning
Jonathan Morgan	Academic Registrar and Council Secretary
Mike Shore-Nye	Chief Operating Officer
Jane Tirard	Director of Finance (until December 2014)
Janice Trounson	Deputy Director (Financial Controls)

Representatives of the Internal Auditors

Neil Thomas	KPMG
Nick Rolfe	KPMG (until December 2014)
Paul Cuttle	KPMG (from December 2014)

Representatives of the External Auditors

Clive Everest	PWC (until December 2014)
Claire Eustace	PWC (until December 2014)
Sue Barratt	Deloitte (from June 2015)
Paul Thomas	Deloitte (from June 2015)

2.4. Simon Linnett, Treasurer and Chairman of Finance and Investment Committee, receives copies of the papers circulated to the Committee. Arrangements are in place to facilitate appropriate liaison between the two committees.

2.5. *Secretary to the Committee*

Sian Marshall	Assistant Registrar (Council and Governance) (from January 2015)
Hayley Simpson	Governance Administrator (from September to December 2014)

2.6. *Terms of Reference*

The Committee reviewed and made recommendations to Council on the revision of its Terms of Reference at its meeting on 10 September 2014, which were approved by Council on 10 February 2015. The following amendments were made:

- to confirm that recommendations on the appointment of auditors should be made to Council at least annually;
- to confirm that a competitive tendering process for audit services should be commissioned at least every 5–7 years, as recommended in the CUC Handbook for Members of Audit Committees;
- to replace references to the Financial Memorandum with references to the Memorandum of Assurance and Accountability between HEFCE and Institutions;
- to draw together the terms of reference currently dealing with the oversight of External and Internal Auditors, given that they were substantially the same.

2.7. *Effectiveness Review*

An effectiveness review was undertaken in autumn 2014, which made the following recommendations:

- to establish a comprehensive induction for new Committee members and to provide routine refresher training for existing members;
- to eliminate unnecessary paperwork and to ensure that papers are the required length and appropriately written for Committee members;
- to introduce the key topic of ‘horizon-scanning’ to enable the Committee to reflect on external factors which may impact on QMUL;
- to establish a formal skills matrix for when vacancies arise on the Committee.

3. Meetings of the Committee

3.1. The Committee met on the following dates from the start of the 2014–15 financial year:

- 10 September 2014;
- 11 November 2014;
- 04 February 2015;
- 03 June 2015;
- 14 September 2015;
- 12 November 2015.

3.2. The following table records attendance at meetings by members and regular attendees. Their roles and responsibilities are identified in 2.2–2.4 above.

	10-09-14	11-11-14	04-02-15	03-06-15	14-09-15	12-11-15
K Barrow	✓	✓	✓	✓	✓	✓
Nadim Choudhary	n/a	n/a	n/a	n/a	n/a	✓
E Hall	✓	✓	✓	✓	✓	✓
R Learwood	n/a	✓	✓	✓	x	n/a
M Tatton	x	✓	x	✓	✓	x
D Willis	✓	✓	✓	✓	✓	✓
S Barratt	n/a	n/a	n/a	✓	✓	✓
N Borkhataria	n/a	n/a	✓	✓	n/a	n/a
E Burke	n/a	n/a	n/a	n/a	n/a	✓
P Cuttle	n/a	n/a	✓	✓	✓	✓
S Dilly	✓	✓	✓	✓	n/a	n/a
C Eustace	x	✓	n/a	n/a	n/a	n/a
C Everest	✓	x	n/a	n/a	n/a	n/a
J Jones	n/a	n/a	n/a	✓	✓	✓
D Marks	✓	✓	x	x	✓	✓
S Marshall	✓	✓	✓	✓	x	✓
J Morgan	✓	✓	✓	✓	✓	✓
N Rolfe	✓	✓	✓	n/a	n/a	n/a
M Shore-Nye	✓	✓	✓	✓	✓	✓
H Simpson	✓	✓	n/a	n/a	n/a	n/a
N Thomas	x	✓	✓	✓	✓	x
P Thomas	n/a	n/a	n/a	✓	✓	✓
J Tirard	✓	✓	n/a	n/a	n/a	n/a
J Trounson	✓	✓	✓	✓	✓	✓

4. Internal Audit

- 4.1. Internal Audit Services in 2014–15 were provided by KPMG for a fee of £111,878 plus VAT. The Committee's terms of reference require that market testing be conducted every seven years; a tender exercise would be undertaken in due course for internal audit services to be provided from 2017–18 onwards. The Committee considered progress reports on the 2014–15 audit at its meetings in November, February, and June.
- 4.2. The Committee confirmed the 2014–15 Internal Audit Operational Plan and the Audit Strategy 2013–18 at its meeting in June 2014. The total number of days allocated to internal audit across all areas was 225 compared to 230 during 2013–14. No restrictions were placed on the work of the Internal Auditors in 2014–15.
- 4.3. The Internal Audit Annual Report for 2014–15 was considered by the Committee at its meeting on 14 September 2015. 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 14 September 2015.
- 4.4. Internal audit verdicts are classified according to a series of assurance levels, identified in the following table:

Assurance level	Classification
Green	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.
Amber-green	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.
Amber-red	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.
Red	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.

4.5. 'Green' assurance verdicts were given in 3 areas:

- Student Housing: Compliance with the UUK code of practice
- Strategic risk management
- Core Financial Systems: Accounts payable and Procurement

4.6. 'Amber-green' assurance verdicts were given in 6 areas:

- Points based immigration/data quality
- School of Biological and Chemical Sciences
- Value for money
- Emergency Response Plan
- Core Financial Systems: Payroll. This review received a high priority (level one) recommendation regarding the timely and effective management of overpayments by HR and Finance staff.
- School of Medicine and Dentistry.

4.7. 'Amber-red' assurance verdicts were given in 2 areas:

- Staff development spend. It was recommended that:
 - Staff development activities should be centrally co-ordinated to ensure value for money.
 - A suite of courses should be developed and update annually to ensure the common needs of the academic departments and professional services are met.
 - An engagement plan for faculties and professional services should be developed to improve awareness of the courses and activities available.
- Research Overhead Recovery. It was recommended that:
 - A plan for maximising overhead recovery should be developed and documented within the 2016 update to the Research Strategy.
 - Overhead rates should be reported on a quarterly basis.
 - Staff should be reminded to complete costing forms, which should specify the reason for recovery below the required rates. Research contracts should not be signed off until costings have been completed.

4.8. A total of 0/11 completed internal audit verdicts were classified as 'red' (0% of total areas audited), 2/11 in 2014–15 were classified as 'amber-red' (18% of total areas audited). There was a single high priority (level one) recommendation arising from the internal audit of Core Financial Systems: Payroll.

4.9. The Committee, following consideration and scrutiny of the management responses and the monitoring of the implementation of agreed actions, considered that

appropriate actions and controls had been put in place to address the recommendations made.

5. External Audit

- 5.1. Deloitte were appointed as QMUL's External Auditors for 2014–15. The fee for 2014–15 in respect of audit services was £120k and £4k in relation to work on the Federal Family Education Loan Program loan return. Members attended a private meeting with the External Auditors ahead of the Committee meeting held on 12 November 2015, during which Deloitte advised they had no issues to raise beyond those already included in the report, and that QMUL had cooperated fully throughout the audit process.
- 5.2. The Committee considered the External Audit Plan for 2014–15 at its meeting on 03 June 2015.
- 5.3. The External Auditors' report and management response for 2014–15 was considered by the Committee on 12 November 2015. The Committee gave detailed consideration in particular to the following issues:
- The outcome of a review of the fixed asset register that was initiated by QMUL ahead of the external audit and which resulted in a prior year adjustment of £8.5m for assets recorded but no longer in service and a further £3.9m for the inclusion of leased land in error. The total prior period adjustment recorded was £12.4m.
 - The adjustments required in relation to accounting for capital projects: namely the judgement about the capitalisation of repairs and maintenance costs within it; the timing of the transfer of assets listed as under construction into the main fixed asset register and the consequential commencement of depreciation.
 - The difference in interpretation between QMUL and the External Auditors in relation to £0.3m of demolition costs, arising from the application of existing QMUL accounting policy.
 - The model used for the valuation of the QMB Innovation Centre and its impairment based on a strategic decision around the Centre's current level of rental income.
 - The accounting for the 2014–15 estimation of the claim to be made under the Research and Development Expenditure Credit Scheme, which was made in line with guidance from BUFDG.
 - A review conducted by QMUL into the allocation of research overheads and the recognition of research income, which resulted in an adjustment of £1.3m.
- 5.4. The report concluded that there were no serious audit issues to report. The report included recommendations in relation to accounting for fixed assets and research grant income (detailed in annex 3), which have been accepted by QMUL. The recommendations arising from the audit will be monitored by the Committee to ensure that effective controls are in place.

Approval of Financial Statements

- 5.5. At its meeting on 12 November 2015 the Committee recommended that Council should approve the adoption of the Financial Statements for 2014–15. Council's decision at its meeting on 24 November 2015 was to [insert Council's decision] the Financial Statements.

6. Risk Management

- 6.1. During 2014–15 QMUL developed a new strategic plan for 2014–2019 and to complement this activity a new strategic risk register was developed, revising both its content and format from previous versions. This development process involved

members of the Audit and Risk Committee and Lead Officers and sought comments and observations from members of Council.

- 6.2. The Committee reviewed QMUL's risk management framework during 2014–15 in conjunction with the Internal Auditors and Queen Mary Senior Executive (QMSE). A revised Risk Management Policy was approved by the Committee at the meeting on 03 June 2015, in response to a number of recommendations from the Internal Auditors, and to remove repetition; to clarify the relationship between a number of groups and committees; to include refer to the HEFCE Memorandum of Assurance and Accountability; and to accurately reflect Council's role and responsibilities for risk management at QMUL.
- 6.3. Working with QMUL staff, the Committee has seen other developments in the way risk is managed and reported; it was pleased to see how well the web application and improved internal processes were working. A new format of deep dive was introduced where each occurrence of a risk in a particular category is extracted in order to verify that risk management processes and the new risk register were embedded within the institution. In addition, the cycle of meetings was rescheduled to ensure the Committee was kept as up to date as possible.
- 6.4. *Occupational Health and Safety Directorate Deep Dive*
The primary areas of risk for the Directorate were governance, the safety of the QMUL estate, the provision of accurate information, funding and reputation. The Committee received a detailed report on the controls in place to mitigate risks in the above areas. Where risks could not be managed down to acceptable levels – in the case of fire safety and hazardous waste disposal – action plans were developed to identify resources and timescales required for acceptable risk mitigation, and interim risk control measures put in place. Updates on these key risk areas were received at subsequent meetings during 2014–15.
- 6.5. *Student Experience Deep Dive*
The student experience risk group was used as a test case for the new format of deep dive. The Committee was satisfied that the report provided assurance that the management of risk was effective within the institution. Further training would be provided to address the small number of issues highlighted in relation to the use of risk registers by staff across the institution.
- 6.6. *International Partnerships Deep Dive*
The main risks identified in the area were damage to QMUL's reputation; primary reliance on China for overseas partnerships activity and the existing QMUL Joint Programme model of collaboration; an imbalance across faculties in the current portfolio of overseas partnerships; gaps in the monitoring of partnerships in support of strategic objectives once up and running; and a lack of integration of international partnerships activity into QMUL core business. Partnerships Board plays a key role in the oversight and monitoring of both international and UK partnerships, including large scale research collaborations and other initiatives carrying reputational risk, with additional oversight of large scale or major projects by QMSE. There is a robust due diligence process to consider the risks of collaborating with specific partners and in specific countries, as part of the approval process. Members were satisfied that the report provided assurance that the management of risk in relation to international partnerships was effective.
- 6.7. *Value for Money Deep Dive*
The report on value for money, in the same way as the student experience deep dive (see 6.4 above), 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.

Value for money activity is largely driven by Professional Services and requires further embedding within the faculties, which had been highlighted by a recent internal audit of value for money activity. The Committee was satisfied that the report provided further assurance regarding the effectiveness of mechanisms for achieving value for money.

7. Legal Compliance

7.1. The Committee considered a report on QMUL's legal compliance framework at its meeting on 12 November 2015.

7.2. During 2014-15 QMUL revised its approach to securing and providing assurance on legal compliance. An external review of the compliance register was undertaken to ensure it remains complete and up to date, and to identify compliance areas that would become relevant in future in the context of the QMUL Strategy. The consideration of compliance risks within the Strategic Risk Register led to a focus on the following areas:

- the implementation of the Prevent duty;
- consumer rights for applicants and students;
- health and safety, and environmental law;
- clinical governance and research integrity;
- immigration regulations;
- business conduct in the context of QMUL's operations overseas;
- data security.

7.3. On the basis of the information provided, the Committee was satisfied that the Senior Executive had appropriate processes in place to meet the legal requirements of QMUL.

8. Value for Money (VfM)

8.1. The Committee considered an annual report and a 'deep dive' report on value for money at its November 2015 meeting. In addition, it considered the recommendations from the HEFCE Annual Assessment of Institutional Risk which concerned QMUL's compliance with the accountability obligations set out in the HEFCE Memorandum of Assurance and Accountability and other HEFCE guidance, and QMUL's financial sustainability, at its June 2015 meeting. It also considered an internal audit report into value for money.

8.2. The Committee was satisfied that the reports provided evidence of significant progress both in expanding the breadth of activity and in achieving value for money. 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. The annual report had been augmented following the internal audit into value for money to cover a wider range of activities and strategies had been developed to enable further embedding of value for money within the faculties.

9. Public Interest Disclosure (Whistleblowing)

9.1. No cases of Public Interest Disclosure were reported between September 2014 and November 2015.

10. Fraud Investigations

10.1. No cases of fraud were reported between September 2014 and November 2015.

11. Data quality and integrity

- 11.1. During 2014–15 the Internal Auditors undertook a review of data quality relating to points based immigration. This review was rated as 'significant assurance with minor improvements' (amber-green) and no significant weaknesses were noted.

12. Opinion

- 12.1. In accordance with Annex A of the HEFCE Memorandum of Assurance and Accountability, the Committee has reached the following opinions on the adequacy and effectiveness of QMUL's arrangements for:

- (i) *Risk management, control and governance*
QMUL 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 2014–15 and the internal audit rating of 'significant assurance' (green) of QMUL's strategic risk management framework by the Internal Auditors.
- (ii) *Value for money*
The Committee is satisfied with the arrangements in place to promote economy, efficiency and effectiveness. This is evidenced by the value for money annual report and deep dive report received at the meeting in November 2015 and the internal audit rating of 'significant assurance with minor improvement opportunities' (amber-green) on QMUL's value for money activity by the Internal Auditors.
- (iii) *The management and quality assurance of data*
The Committee is satisfied with the quality of data submitted to HESA and HEFCE. This is evidenced by the HEFCE annual student data audit letter, which confirmed that QMUL was not required to participate in the reconciliation exercise; the report on the TRAC return; and the internal audit report on Points Based Immigration, which included the testing of staff data included in the HESA return.

13. Work of the Executive

- 13.1. The Audit and Risk Committee wished it to be recorded and reported to Council that the Senior Executive's contribution to the work of the Committee has been extremely positive and that considerable progress has been made under the leadership of the Chief Operating Officer. The Committee is confident that the Executive seeks to learn from and to address any issues that arise in a timely way.

David Willis
Chairman, Audit and Risk Committee.
18 November 2015

Annex A: Terms of Reference
Annex B: Summary of internal audit findings
Annex C: Summary of external audit findings



Audit and Risk Committee Terms of Reference 2014–15

Audit and Risk Committee is a committee of Council, mandated by HEFCE under the Memorandum of Assurance and Accountability between HEFCE and Institutions. The Committee oversees the College's arrangements for external and internal audit, financial control and risk management, providing assurances in these key areas through its annual report to Council and to HEFCE. More specifically, the Committee will:

1. External and Internal Audit

- 1.1 Make recommendations to Council at least annually on the appointment of external and internal auditors.
- 1.2 Commission a competitive tendering process for external and internal audit services at least every 5–7 years.
- 1.3 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 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

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

3. Risk management

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

- 3.2 Regularly consider the current status of core risks to the College's strategy, through the review of data and documents presented by the Executive and derived from the Strategic Risk Register.
 - 3.3 Periodically test scores and controls in selected areas of College activity through consideration of specific reports.
 - 3.4 Review HEFCE's Annual Institutional Risk Assessment, audits undertaken by its Assurance Service and relevant findings by other bodies.
 - 3.5 Oversee the College's 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 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 Chairman of the Committee.
- Up to two co-opted members who are external to the College 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 following 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 HEFCE Memorandum of Assurance and Accountability between HEFCE and 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.

Annex B: Summary of internal audit findings

2014/15 Head of Internal Audit Opinion to Queen Mary University of London

Basis of opinion for the period 1 August 2014 to 31 July 2015

Our internal audit service has been performed in accordance with KPMG's internal audit methodology which conforms to 'The Model Financial Memorandum Between HEFCE And Institutions'. 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. HEFCE 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 Governing Body 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 'The Model Financial Memorandum Between HEFCE And Institutions', 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 and 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 organisation. The opinion is substantially derived from the conduct of risk-based plans generated from robust and Management-led risk and assurance processes.

Opinion

Our opinion is set out as follows:

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

The basis for forming our opinion is as follows:

- An assessment of the design and operation of the risk management 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.

Opinion on risk management, control and governance for the period 1 August 2014 to 31 July 2015

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

Opinion on value for money for the period 1 August 2014 to 31 July 2015

We consider that Queen Mary University of London has adequate and effective arrangements in place to promote economy, efficiency and effectiveness. During the course of our work, we identified areas where we believe that Queen Mary University of London could improve value for money, and reported these to management in our assignment reports.

During 2014/15 we have not made any other findings in the course of our work that would lead us to question the arrangements in place at Queen Mary University of London to secure value for money in the use of resources.

Opinion on data quality for the period 1 August 2014 to 31 July 2015

In 2014-15 we carried out a review on Points based immigration system/Data Quality. This review was rated as 'significant assurance with minor improvements' and no significant weaknesses were noted.

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 2014 to 31 July 2015 inclusive, and is based on the nine audits that we completed in this period.

Overall our review found that the risk management framework in place is founded on a systematic risk management process and does provide appropriate assurance to the Board. The risk management framework does reflect the organisation's key objectives and risks and is reviewed on a timely basis. It was last reviewed by Council in November 2014.

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 with improvements required' assurance ratings in respect of 2014/15 assignments. These related to:

- Research overhead recovery: There were no high priority recommendations made as part of this review. Management accepted all recommendations made and we have agreed to include a follow up on this area as part of our 2015/16 internal audit plan.
- Staff development spend at school / faculty level: There were no high priority recommendations made as part of the review. Management accepted all recommendations made as part of the review.

The above findings do not prevent us from issuing a draft 'significant with minor improvements' assurance opinion in respect of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Management has either implemented or is implementing the recommendations raised in the reports listed above. We are satisfied that these do not materially adversely effect the College's control environment to impact on our ability to provide a Head of Internal Audit Opinion.

KPMG LLP

Chartered Accountants
31 July 2015

Annex C: Summary of external audit findings

Accounting for capital projects

Our testing in this area identified a number of control weaknesses which impacted our work and also led to adjustments being made by management to the financial statements.

We therefore have a number of recommendations for improvements in this area, focussed on three main areas.

(Note, we have assigned these “Medium” priority as they relate to a significant risk area).

Deloitte Recommendation	Priority	Management response
<p>Initial project appraisal and review As part of our work we reviewed the project budgets, which included an initial assessment of whether costs were capital or revenue in nature. We were not given evidence of any formal Finance review of these assessments. We recommend that these project budgets are reviewed by an appropriate member of the finance team, in order to sign-off on the proposed accounting for the project elements in advance of project start. Additionally we recommend that this is reviewed on an ongoing basis in the light of costs incurred to date and changes to project scope and plans so that the accounting split between revenue and capital expenditure is reconsidered to ensure that it remains in line with the actual nature of the costs incurred. Again this should have appropriate sign-off by Finance.</p>	Medium	Agreed. We will implement these recommendations during the 2015/16 financial year.
<p>Project completion and sign-off Our testing noted a number of projects where work was complete and the section of the building (for example a whole floor) was now ready for use, but where the asset remained on the assets under construction listing. At this point assets should be transferred from assets under construction and into the main fixed asset register, with depreciation commencing from that date. As the majority of the errors noted relate to assets completed close to the year end date, there is not a significant depreciation impact on the income and expenditure account, and this is primarily a balance sheet reclassification. However, it demonstrates that the process by which the Finance team are notified that projects are completed is not operating in a timely manner. We recommend that:</p> <ul style="list-style-type: none"> • when each project reaches completion, a mechanism is in place so that the finance team are notified promptly that the project should be transferred to the in-use assets. • Multi-phase projects are monitored more closely to identify when individual phases are complete. 	Medium	Agreed. We will implement these recommendations during the 2015/16 financial year.

Training and Clarity of Responsibility

In view of the high turnover of staff in both Estates & Facilities and Finance we would recommend that all relevant personnel are fully briefed and trained on their respective responsibilities in the Fixed Assets process and on QMUL policies and procedures in relation to fixed assets, including the importance of the distinction between capital and revenue and the importance of the timeliness and accuracy of information about projects, including disposals of old assets, being provided to Finance.

Medium Agreed. We will implement these recommendations during the 2015/16 financial year.

It is often a complex matter to determine accounting for these projects, and we would be pleased to offer to run a workshop with representatives from both the main finance team and the capital projects team together in order to explain further the information we need to be able to audit these balances effectively, and also how this information is important in helping the finance function to prepare true and fair financial statements on a timely basis. There would be no charge for this workshop. We have found this to be helpful in other institutions.

We have the following insights and findings from our work

Deloitte Recommendation	Priority	Management response
<p>Evidence for expenditure against grants</p> <p>In one example in our testing, no evidence had been retained in relation to expenditure incurred against a grant. The person who had entered the transaction has subsequently left the employment of the university, and the supporting documentation was unable to be located. Whilst this was an isolated instance, and confined to an item well below our clearly trivial threshold we recommend that Management remind their team that records should be maintained to support all such transactions.</p>	LOW	This was an isolated instance and the staff member has since left the organisation. We will remind other team members of their responsibilities to retain appropriate supporting information for journals.
<p>Research accounting matters</p> <p>Our testing noted a number of instances in relation to incorrect cut-off of research expenditure, where revenue recognised in the year to 31 July 2015 was in relation to prior year expenditure, owing to late receipt of invoices and recognition.</p> <p>We recommend that management update their controls to ensure that expenditure on contracts is recognised in the correct period. As this relates to research matters, there is no net impact on the Income and Expenditure account</p> <p>Additionally, owing to the large volume and varied nature of research contracts, a detailed analysis of this area is critical in assessing the accounting impact of research contracts on the transition to FRS102, and will require a significant investment of Management’s time prior to the implementation in the 31 July 2016 financial statements.</p>	LOW	We will work to tighten our controls relating to expenditure on contracts to ensure expenditure is recognised in the correct period.
<p>Federal Family Education Loan Program</p> <p>The total loan for 14/15 is \$2.5m, we recommend that management monitor this limit as the College will require a US GAAP conversion audit every three years should the total loan reach \$3m.</p>		

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Chartered Accountants
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