



### Annual Report of Audit and Risk Committee 2023–24

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| <b>Outcome requested</b>                   | Audit and Risk Committee is asked to <b>note</b> the first draft of the Annual Report for 2023–24. The final report will be submitted to Council in November.   |
| <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 has been <b>highlighted</b> or in <b>red text</b>.</p> |
| <b>QMUL Strategy:</b>                      | Financial sustainability  |
| <b>Internal/External reference points:</b> | CUC Audit Committees Code of Practice   |
| <b>Strategic Risks</b>                     | <p>11. Delivery of Estates and IT enabling plans<br/> 12. Improved cash generation to enable investment<br/> 14. Strategy implementation<br/> 15. Incident management and business continuity<br/> 16. Compliance</p>   |
| <b>Subject to onward consideration by:</b> | A second draft of this report will be considered by the Committee on 06 November 2024 before going to Council.  |
| <b>Confidential paper under FOIA/DPA:</b>  | No  |
| <b>Equality Impact Assessment</b>          | Not required  |
| <b>Timing:</b>                             | Annual  |
| <b>Author:</b>                             | Dr Nadine Lewycky, Head of Secretariat  |

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| <b>Date:</b>                                   | 13 September 2024                                 |
| <b>Senior Management/<br/>External Sponsor</b> | Peter Thompson, Chair of Audit and Risk Committee |

## **Annual Report of Audit and Risk Committee 2023–24**

### **1. Introduction**

- 1.1. This is the annual report of the Audit and Risk Committee for the 2023–24 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 2023–24.

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

*External Members of Council*

Peter Thompson (Chair)  
Patricia Gallan  
Celia Gough (to June 2024)  
Indy Hothi

*Co-opted External Members*

Simona Fionda (to November 2023)  
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*

|             |      |
|-------------|------|
| Amy Taylor  | KPMG |
| 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 17 September 2024. No amendments were suggested to the Terms of Reference for 2024–25. 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 2024 and was reported to the Committee in September 2024. Throughout 2023–24, 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 2023–24:

- 28 September 2023
- 14 November 2023
- 12 March 2024
- 18 June 2024
- 17 September 2024
- 06 November 2024

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

|            | 28/09/23 | 14/11/23 | 12/03/24 | 18/06/24 | 17/09/24 | 06/11/24 |
|------------|----------|----------|----------|----------|----------|----------|
| S Fiona    | ✓        | ✓        | N/A      | N/A      | N/A      | N/A      |
| P Gallan   | ✓        | X        | ✓        | ✓        |          |          |
| C Gough    | ✓        | ✓        | ✓        | ✓        | N/A      | N/A      |
| J Hedges   | ✓        | ✓        | ✓        | ✓        |          |          |
| I Hothi    | X        | ✓        | ✓        | ✓        |          |          |
| P Thompson | ✓        | ✓        | ✓        | ✓        |          |          |

**4. Internal Audit**

4.1. Internal audit services in 2023–24 were provided by KPMG for a fee of £119,920 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 2023–24 across all areas was 122. No restrictions were placed on the work of the Internal Auditors in 2023–24. The Committee considered progress reports on the 2023–24 audits at its meetings in September and November 2023, and June and September 2024.

4.3. The Internal Audit Annual Report for 2023–24 was considered by the Committee at its meeting on 17 September 2024. 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 17 September 2024. There were no points from this meeting that the Committee needed to draw to the attention of Council.

4.4. Nine scheduled audits agreed in the 2023–24 operational plan, and one advisory audit, 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> |        |     |
|---|--|----------------------------------|--------|-----|
|   |  | High                             | Medium | Low |
| Core financial systems – Accounts payable | Significant assurance with minor improvement opportunities (amber-green) | 0                                | 2      | 2   |
| Course quality assurance                  | Partial assurance with improvements required (red-amber)                 | 0                                | 2      | 2   |
| Data Futures                              | Significant assurance (green)  | 0                                | 0      | 1   |
| Faculty Governance                        | Partial assurance with improvements required (red-amber)                 | 0                                | 3      | 0   |
| Graduate Outcomes                         | Significant assurance with minor improvement opportunities (amber-green) | 0                                | 2      | 2   |
| KEF data                                  | Significant assurance with minor improvement opportunities (amber-green) | 0                                | 2      | 3   |
| Research overhead recovery                | Significant assurance with minor improvement                             | 0                                | 2      | 2   |

|                        |  |   |   |   |
|------------------------|--|---|---|---|
|                        | opportunities (amber-green)                              |   |   |   |
| Staff wellbeing        |  |   |   |   |
| Student experience     | Partial assurance with improvements required (amber-red) | 0 | 4 | 3 |
| Degree apprenticeships | Advisory (no overall rating)                             |   |   |   |

4.7. **Five** of the nine internal audit reports received by the Committee this year had been rated 'significant assurance with minor improvement opportunities' (amber-green) with no high priority recommendations. **All recommendations had been cleared and there were no overdue recommendations. 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 student experience at its meeting on 12 March 2024. The review received a rating of 'partial assurance with improvements required' (amber-red) with two medium-level and one low-level recommendation for control design and two medium-level and two low-level recommendations for operating effectiveness. The rating had been driven by the lack of controls in place to support the monitoring and oversight of assessment turnaround times in a robust and consistent manner, as well as improvements that could be made in relation to how improvements are communicated to students. The Committee discussed the underlying challenges in relation to the diversity, volume and frequency of assessment methods. Approaches to turnaround times varied across the sector, with teaching focused universities performing better in this area. IT Services and the Queen Mary Academy were exploring the role of AI in assessment marking and feedback.

4.9. The Committee considered the internal audit report on degree apprenticeships at its meeting on 12 March 2024 which was delivered on an advisory basis with no overall rating. The report assessed the control environment and sector regulator funding rule compliance for degree level apprenticeships. A number of errors were identified which could have an impact on funding in the event of an Education and Skills Funding Agency (ESFA) audit. The rules for the ESFA were quite prescriptive and most universities were receiving a high number of actions. Activity was underway to prepare for an EFSA inspection within the next 12 months.

4.10. **The Committee considered the internal audit reports on course quality assurance and faculty governance, both of which received a rating of partial assurance with improvements required, at its meeting on 17 September 2024.**

4.11. The Committee discussed the proposed areas for inclusion in the 2024–25 Internal Audit plan and five-year plan at its meeting on 18 June 2024 with seven proposed topics and two reserve topics. The Committee heard that some Russell Group universities were considering audits on trusted research and space management. The Committee discussed the possible inclusion of an audit on IT infrastructure in light of the current underspend in this area. IT infrastructure was included as part of the rolling 5-year plan with the most recent review conducted two years previously. The underspend was a consequence of the team capacity and the capacity of the organisation to absorb change. Our risk level was in line with the rest of the sector. The timing of the trusted research report would be moved later in the year to align with team capacity. **The Committee approved the final version of the plan at its meeting on 17 September 2024.**

## 5. External Audit

5.1. External audit services for 2023–24 were provided by BDO for a fee of £311,000 plus VAT. Members attended a private meeting with the External Auditors after the

Committee meeting held on 06 November 2024. 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 2023–24 at its meeting on 18 June 2024.
- 5.3. The External Auditors' Report and management response for 2023–24 was considered by the Committee on 06 November 2024. To be updated. Eight audit adjustments were identified during the work. There were no additional significant audit risks identified. The report did not identify any non-compliance with Group accounting policies or the applicable accounting framework. The audit identified a Prior Period Adjustment in respect of the classification of investments between current and non-current and an error in a previous note disclosure. These have no impact on the reported surplus for the year. No significant accounting policy changes had been identified. There were no matters in the financial statements that the External auditors wished to draw attention to by way of emphasis of matter.

## 6. Approval of Financial Statements

- 6.1. At its meeting on 06 November 2024 the Committee recommended that Council should approve the Financial Statements for 2023–24. Council's decision at its meeting on 21 November 2024 was to approve the Financial Statements.

## 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 2023–24 at its meetings in September 2023, March 2024, and September 2024, and an update on KPIs and lead indicators in June 2024. 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 05 October 2023, 23 November 2023, 28 March 2024, 11 July 2024 and 10 October 2024.
- 7.3. The Committee considered bi-annual reviews of cyber security at its meetings in September 2023, March 2024 and September 2024. In September 2023, the Committee received an update on progress against the JISC cyber security checklist. The Committee discussed the timeframe for keeping hardware up to date and the challenges posed by infrastructure that fell outside the centrally-managed systems. Work was underway to reduce the vulnerabilities in these areas in the next six months. In March 2024, the Committee received a deep dive on Information Security. Capacity of the in-house team was being strengthened and work towards ISO27001 accreditation was continuing. The Committee discussed the work to move all areas of the IT infrastructure onto the centrally managed system. The Strategic Risk Register had been updated to disaggregate the cyber security and information governance risks. The Committee was asked to approve a change in the cyber security risk tolerance level from 12 to 8. The Committee approved the change. The Committee discussed a cyber security incident at the Barts Cancer Institute (BCI) that included a breach of personal data. The had been serious but the Committee was assured by the response and steps taken to prevent a recurrence. In September 2024, the Committee received an update on cyber security.
- 7.4. 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.

- 7.5. During 2023–24, the Committee received deep dive reports on Information Security (see para. 7.3) and on the staff survey action plan:

[a] *Staff survey action plan*

At its meeting on 12 March 2024, the Committee received a deep dive presentation on the staff survey action plan. The Committee heard that oversight was provided by the Staff Survey Steering Group and that the institutional action plan was updated following the 2023 survey to include a new focus on positive and inclusive working environments. The Committee heard about actions taken in the School of Business and Management to improve its participation rate among certain parts of the staff population within the School. Action was being taken with the demographic groups that were less likely to respond positively. The Committee heard about the steps taken in IT Services to improve participation rate and to address low scores around gender equality. Highlighting this in recruitment materials had helped to recruit more women into the Directorate. The Committee discussed the communication plan leading into this year's survey which would highlight successful actions taken in response to last year's results. The overall participation level was good and responses to questions around engagement were broadly positive, some negative feedback reflecting the state of the sector. The Committee commended management for addressing the process issues so that the focus was now on the survey results.

- 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 proposal on a new framework for legal compliance reporting at its meeting on 14 November 2023. The framework would comprise a rolling engagement programme with compliance owners. The Committee discussed prioritising areas where it received little to no other assurance or where new regulation had been introduced. The Committee received a pilot report on the Finance Department at its meeting on 18 June 2024. The report had found no new legal or compliance risks and that the Finance Department meaningfully engaged with risk and had an understanding of the importance of communicating compliance across the University. The new reporting model would be rolled out to other business areas. **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.**
- 8.2. The Committee considered the Prevent Duty Annual monitoring return for 2023–24 at its meeting on **06 November 2024**. **Text to be updated. 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 17 September 2024.

## 10. Public Interest Disclosure (Whistleblowing)

- 10.1. The Committee received **two** reports of disclosure under the whistle blowing policy between September 2023 and November 2024. The Committee heard that one report had been received anonymously. After discussion between the Chair of Audit and Risk

Committee and the Chief Governance Officer, it was determined that there was insufficient evidence to pursue the allegation. The allegation related to misappropriation of funds by a former staff member who had not been employed by the University for over 10 years and had not been in a role with financial responsibility. The Committee heard that allegations of bullying and harassment had been raised against a manager. The individuals making the allegations wished to remain anonymous which was making it difficult to proceed under the Grievance Resolution Policy and Procedure. Given that there were other data points in support of the allegations, it was decided to proceed under the whistle blowing policy. The investigation had revealed evidence of serious misconduct and would be referred to the disciplinary process. **The Committee received a written report at its meeting on 17 September 2024. TBC**

## **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 Operations Officer. The Committee received a report in March 2024 about a small number of students receiving messages from individuals purporting to be from the University's finance team and asking them to transfer funds to a bank account. A communication was sent to all students alerting them to the potential fraud. There were reports that a small number of students at other universities had also been targeted.

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

12.1. A data quality review forms part of the annual Internal Audit Operational Plan. During 2023–24, the Internal Auditors undertook two data quality reviews. The review of the *Data Futures* received an overall assurance rating of 'significant assurance' (green), which had one low-level recommendation and was ahead of management expectations. The testing of the data fields showed that all data points were accurately compiled and the robust quality assurance processes were in place. The review of Knowledge Exchange Framework (KEF) data received an overall assurance rating of 'significant assurance with minor improvement opportunities' (amber-green) with two medium-level and three low-level recommendations. The report reviewed the design and operating effectiveness of the controls in place for the collation of HEBCI data and links to the KEF. The rating was driven by sound control over the collation of data with minor opportunities for improving the process to support completeness of HEBCI data points.

12.2. The Committee considered the Transparent Approach to Costing (TRAC) return and methodology for 2022–23 at its meeting in March 2024. The TRAC (Teaching) return had been suspended by the OfS in 2019–20 and has not been reintroduced. The results showed a reduction in the amount we recover from tuition fees from 95.7% in 2021–22 to 86.3% in 2022–23. The rate of recovery on research had increased year on year to 63.8% in 2022–23 from 62.1% in 2021–22.

## **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  
Xx November 2024

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 06 November 2024.

## **Audit and Risk Committee Terms of Reference 2023–24**

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.

### **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 5 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 report on cyber security.
  - 3.4 To review the outcomes of audits and reviews undertaken by institutional regulators, funders and other relevant organisations.
  - 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 arrangements for risk management, control and governance, sustainability, economy, effectiveness and efficiency (value for money) and the quality of the data submitted to regulatory bodies in line with the Committee of University Chair's Audit Committees Code of Practice. The Committee's opinion is based on the conclusion provided from the programme of internal audit through the year as well as other assurance reports from management and on occasion other parties.
3. The Committee reports to the next meeting of Council following each of its meetings through the provision of its minutes. Specific proposals requiring Council consideration and approval are identified in the terms of reference.