



Annual review of committee effectiveness

Outcome requested:	Audit and Risk Committee is asked to consider its own effectiveness and the suitability of its membership and terms of reference.
Executive Summary:	[a] Audit and Risk Committee's terms of reference state that it shall review its own effectiveness and the suitability of its membership and terms of reference annually. The Committee typically undertakes its effectiveness review through a survey completed individually by members during the summer with the outcomes reported to Governance Committee in the new academic year. [b] In a change to the practice in previous years, and to avoid a clash with the external review of Council effectiveness, Committee members are asked to consider the standard survey questions on governance effectiveness together during the meeting. [c] The Committee's current terms of reference and membership are attached for reference. Dr Alix Pryde has been added to the membership for 2025–26. The terms of reference have been updated to reflect the new legal reporting process. [d] The Committee is also being asked to consider the key lessons from the Gillies Report from the investigation into financial oversight and decision-making at the University of Dundee. The Committee is asked to reflect on the key lessons in relation to its own effectiveness.
QMUL Strategy:	Effective governance supports the delivery of Strategy 2030
External reference points:	CUC Higher Education Code of Governance CUC Higher Education Audit Committees Code of Practice
Strategic Risks:	Reputation and compliance with the OfS ongoing conditions of registration
Equality Assessment: Impact	As a general principle, Governance Committee aims to ensure that there are diverse perspectives on all Committees of Council.
Subject to prior and onward consideration by:	Audit and Risk Committee will report to Governance Committee on the outcome of its effectiveness review.
Confidential paper under FOIA/DPA:	No
Timing:	Committees of Council review and report on their own effectiveness each academic year.
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Date:	05 September 2025

Audit and Risk Committee Annual Effectiveness Review 2025

ENABLERS OF EFFECTIVE GOVERNANCE

Have we got the membership and broader composition of the meetings right and is the attendance at meetings appropriately balanced?

Do the practical arrangements for conducting business at and between meetings work and enable risks to be identified and addressed?

Does the Committee receive the right information in a useful format?

WORKING RELATIONSHIPS

Are members appropriately briefed and prepared for their roles?

Do the dynamics of the meetings encourage transparency, high-quality debate and challenge and have you felt able to contribute in meetings as you would like?

Does the Chair steer the Committee effectively?

OUTCOMES AND ADDED VALUE

Does the Committee focus on the right issues?

Has the Committee fulfilled its role effectively and made a difference?

Has the Committee fulfilled its reporting responsibilities to Council and to the public?

Gillies report - key reflections

Introduction

Financial sustainability is the biggest risk facing the UK Higher Education (HE) Sector as highlighted in our most recent **KPMG Risk Benchmarking** exercise. The financial situation at any institution can deteriorate rapidly as we have seen play out at the University of Dundee and following the publication of the Gillies report in June 2025, it was clear that there were a number of factors that contributed to the situation in Dundee. The root causes are not all specifically financial but can be broadly categorised into three areas:

- Governance and leadership;
- Management information; and
- Cultural/behaviour.

Here are some of the key points that we believe other HE institutions should consider:

Governance and leadership

One of the key learnings from the Gillies report is that institutions can clearly have what they believe to be the right governance structures in place on paper, but that does not mean that they are operating effectively. Governance arrangements in HEs reflect the uniqueness and complexity of HE. The various codes of HE good governance set out, or suggest, which governance committees an institution should have in place however these serve as a guide and it is down to the individual constitution of each institution to ensure it has a structure that is fit for purpose for the size, scale and complexity of its operations.

One of the key issues at Dundee however was not that the governance structure was not fit for purpose, but that the interdependent component parts of the structure did not operate effectively in the identification, monitoring and escalation of critical risks and early red flags such that it could take action in a timely manner. This was arguably borne from members of the Executive leadership team and members of those governance committees not discharging their duties appropriately or following the seven Nolan Principles and/or nine Principles of Public Life in Scotland (see *Culture/Behaviour*). What is clear from the external investigation into Dundee is that there were several missed opportunities at meetings of senior leadership and the governance committees to spot the red flags and take a corrective course of action.

One specific point to emerge from the report relates to the role of the University Secretary, which is a role appointed by that governing body and in carrying out that role, should be solely responsible to that governing body through the Chair of Court. Where an appointed University Secretary has managerial duties such as budgetary responsibilities or institutional communications for example, this could pose a conflict of interest (in Dundee the University Secretary was also the COO and had a functional reporting line to the Principal). It is the responsibility of the governing body to ensure there is appropriate separation in the lines of accountability and where there are potential conflicts, there are suitable independent routes for escalating pressing matters.

Key reflections Governance and Leadership:

- *Is the governance structure fit for purpose and do you have confidence that the component parts of governance are working effectively to identify and escalate risks in a timely manner?*
- *Are those charged with governance discharging their duties appropriately (see also *Culture/Behaviour*)? Is there an appointed Senior Independent Governor or Senior Lay Member (or equivalent) to sense check the effectiveness of governance arrangements and to appraise the performance of the Chair of the governing body?*
- *Are you routinely assessing the effectiveness of your governance structures either internally through self-reflection or external commission? This includes an annual self assessment of the effectiveness of the Court/Council and a five-year independent review.*
- *Does the Audit Committee have suitable independence from the wider organisation? Is the Chair of Audit Committee truly independent from other Committees in the governance structure to be able to act objectively as the 'conscience of the institution'?*
- *Does the University Secretary have suitable independence and a clear reporting line to the Chair of the governing body? And can they demonstrate there are appropriate controls in place to ensure they can remain free from conflict in all situations?*

Gillies report - key reflections

Management information

It is imperative that the quality and frequency of management information is provided to those charged with governance in a simple but effective manner, and on a routine basis. One of the key weaknesses in Dundee was the lack of transparent key financial information to both the University Executive Group and the Court at a time when the financial position was clearly deteriorating. Where information was presented, it was unclear and ambiguous which should have been a red flag for all involved and as a result there was limited evidence of any appropriate scrutiny or corrective action being taken quickly enough. This includes the management and appropriate oversight of banking covenants where immediate reporting of breaches is a requirement to the bank, the external auditor and the SFC/OfS.

Underpinning a robust set of financial reports will be a number of key assumptions in the budgetary information whether that is on forecast student numbers, research income, capital spend and notably for Dundee was the lack of regular narrative supporting the overall declining cash position (including use of ringfenced funds). This equally applies to cost savings plans which should be based on well thought through assumptions that can be appropriately tested and easily validated, but importantly there should be avenues for this process to be both top-down and bottom-up so it is a collaborative approach.

It is the role of the University Senior Management team, through the budgeting process, to ensure that any assumptions are suitably challenged before the information is presented to the governance committees for scrutiny. In presenting the financial position, institutions should develop scenario-based outcomes predicated on any assumptions made (best case to worst case), and as management information is being scrutinised it should be tested and validated against these scenarios. Where responsibility for testing these assumptions is delegated to sub-committees or working groups, there must be a clear and documented reporting line back through the governance. At Dundee, there was a perception that a 'triumvirate' of the most senior staff (Principal, COO and Deputy Vice-Principal) would retain decision making responsibilities and there was a lack of transparency and wider inclusivity, and this included through key delegated sub-committee groups where information was then not passed to the University Executive Group or further.

A governing body should be alert to any potential situation where responsibility lies with a few senior individuals to ensure there is an appropriate audit trail of scrutiny and challenge.

It is ultimately the responsibility of the University Secretary to ensure that management information is provided to the governing body in a timely manner and that it is of appropriate quality, informs decision making and allows the governing body and its committees to discharge its duties effectively and efficiently.

Key reflections Management Information:

- *Do you have the right management information flowing to the right governance groups?*
- *Are the papers for meetings of the governing body and its sub-committees routinely released in good time for proper review and scrutiny?*
- *Is the information complete and accurate, and simple to review?*
- *Are there key messages in the covering papers and do Committee members or management know what is being asked? Is there a clear audit trail of decisions and actions in the minutes?*
- *Is there adequate scrutiny of the assumptions in the budget, especially for key areas such as student numbers, capital spend and research income?*
- *Is there appropriate scenario-based planning that is tested and validated regularly?*
- *What assurance do you have that operational and strategic risk management is working effectively? Do you have a functioning and effective risk management group and are the points of escalation well understood?*
- *How well articulated are the risks on your risk registers? Do you understand the key controls? Are the actions clearly defined and progressing?*

Gillies report - key reflections

Culture/behaviour

Perhaps one of the biggest learnings from the Gillies report is the impact of behaviours and culture at a senior level. Holders of public office are expected to act in accordance with the ethical and behavioural standards as set out in the seven Nolan Principles of Public Life and/or nine Principles of Public Life in Scotland. HEIs should appoint members to its governing body who can demonstrate that they understand and enact these behaviours on a daily basis. The governing body should have a balance of suitably qualified and experienced members with the majority independent of the institution. The Gillies report and the subsequent scrutiny committees of the Education, Children and Young People Committee, clearly point to several leaders of the University of Dundee, including the Principal and Chair(s) of Court, as almost certainly not demonstrating the behaviours expected of them under the seven Nolan principles and/or nine Principles of Public Life in Scotland and for certain key roles, lacking suitable experience or not understanding the full remit of their role and responsibilities and thus failing to report and escalate key issues such as a breach of covenants or non-compliance. The report also specifically points to the overbearing leadership style of the Principal who would 'control' the narrative to Court and an unwillingness to foster an environment which is open to challenge. This clearly set the tone at the top and therefore calls into question the efficacy of the institutional governance which are built around these principles and characteristics.

Measuring culture can be a difficult exercise as it has many intangible contributing factors. There are a number of mechanisms that HEIs should be actively monitoring through its governance channels to 'take the temperature' of the organisational culture:

Staff surveys and action plans	Third party sources of assurance
Student surveys/course feedback	Complaints handling
Staff and academic performance outcomes	Routine review of professional qualifications
Whistleblowing/speak up processes	Governance effectiveness reviews
Risk management framework	Compliance reporting/trend analysis
External relationship management	

The list in the table is not exhaustive and an assessment of culture can only be considered when you factor in multiple sources of assurance and data that can provide clear indicators for future action.

Key reflections on culture/behaviours

- *Does the nominations committee have the right approach to recruiting members to the governing body with suitable experience and qualifications, commensurate to the size of the institution, to effectively discharge their duties?*
- *Does the leadership visibly demonstrate the behaviours expected of a public office holder as set out in the seven Nolan principles and/or nine Principles of Public Life in Scotland? Are the values of the institution clearly communicated and actively demonstrated by leadership?*
- *Are members of the governing body showing curiosity and appropriate professional scepticism based on experience?*
- *Do those on the Finance committees or equivalent, have the appropriate financial mind-set and understanding to challenge the management information? Does the University Executive have the appropriate financial mind-set?*
- *Does the governing body and the University Executive have a healthy relationship of trust, effective challenge and honesty?*
- *Does the institution have appropriate confidential whistleblowing and speak up procedures in place that are clearly communicated, and do staff understand how and when to use these properly?*
- *Are you comfortable that the various tangible and intangible measures of culture are being appropriately tracked and monitored through governance? Are these measures equally applicable to Teaching, Research and Commercial activities?*

Audit and Risk Committee Terms of Reference 2025–26

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 reports on~~ 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.

Audit and Risk Committee 2025–26 Membership

- 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

Chair

External member of Council

Peter Thompson

Up to four other external members of Council

Patricia Gallan
Malcolm Hitching
Indy Hothi
Dr Alix Pryde

Up to two co-opted members

James Hedges

In attendance

President and Principal
Chief Governance Officer and University Secretary
Chief Financial Officer
Chief Operations Officer

Professor Colin Bailey
Jonathan Morgan
Karen Kröger
Dr Sharon Ellis

External Auditors [BDO]

James Aston
Sarah Durrant

Internal Auditors [KPMG]

Neil Thomas
Amy Warby

Secretariat

Head of Secretariat

Dr Nadine Lewycky