



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

<b>Outcome requested</b>	Council is asked to <b>approve</b> the Annual Report of the Audit and Risk Committee for 2020–21 for submission to the Office for Students.
<b>Executive Summary</b>	<p>Under the OfS Terms and Conditions of funding for higher education institutions, the Committee is required to produce an Annual Report for submission to Council and the OfS. The report must include the Committee’s conclusions on the adequacy and effectiveness of:</p> <ul style="list-style-type: none"> <li>• Queen Mary’s risk management, control and governance arrangements;</li> <li>• arrangements for promoting economy, efficiency and effectiveness;</li> <li>• arrangements for the management and quality assurance of data submitted to HESA, the Student Loans’ Company, OfS and other funding bodies.</li> </ul> <p>The report should also record the Committee’s work in relation to:</p> <ul style="list-style-type: none"> <li>• the internal and external auditors;</li> <li>• Queen Mary’s arrangements in respect of risk management, value for money and data quality;</li> <li>• the audit of the annual financial statements.</li> </ul> <p>The report covers the 2020–21 financial year and records any significant issues up to the date of signing the report and the Committee’s consideration of the financial statements for the year.</p>
<b>QMUL Strategy:</b>	
<b>Internal/External reference points:</b>	OfS Terms and Conditions of funding for higher education institutions and Regulatory Notice 2; CUC Handbook for Members of Audit Committees in Higher Education Institutions.
<b>Strategic Risks</b>	14. Strategy implementation 15. Incident management and business continuity 16. Compliance
<b>Subject to onward consideration by:</b>	The final version of this report was approved by Audit and Risk Committee by email circulation following its meeting on 10 November 2020. It will be submitted to the OfS following consideration by Council.
<b>Confidential paper under FOIA/DPA:</b>	No
<b>Equality Impact Assessment</b>	Not required

<b>Timing:</b>	Annual report
<b>Author:</b>	Nadine Lewycky, Assistant Registrar (Governance)
<b>Date:</b>	12 November 2021
<b>Senior Management/ External Sponsor</b>	David Willis, Chair of Audit and Risk Committee

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

### **1. Introduction**

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

### **2. Committee Constitution**

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

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

#### *External Members of Council*

David Willis (Chair)  
Alix Pryde  
Melissa Tatton (to December 2020)  
Peter Thompson

#### *Co-opted External Members*

Simona Fionda  
James Hedges (from January 2021)

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

#### *Representatives of the Senior Executive and other senior officers*

Professor Colin Bailey	President and Principal
Karen Kröger	Chief Financial Officer (from December 2020)
Jonathan Morgan	Chief Governance Officer and University Secretary
Paula Sanderson	Chief Operations Officer (January to July 2021)
Catherine Murray	Director of Strategic Planning
Janice Trounson	Deputy Director (Financial Controls)

#### *Representatives of the Internal Auditors*

Charles Medley	KPMG
Neil Thomas	KPMG

#### *Representatives of the External Auditors*

Michelle Hopton	Deloitte (from July 2021)
Julian Reeve	Deloitte (to July 2021)
Craig Wisdom	Deloitte

- 2.4. Luke Savage, Treasurer and Chair of the Finance and Investment Committee, had access to the papers circulated to the Audit and Risk Committee via the board management software Convene. Arrangements were in place to facilitate appropriate liaison between the two committees.

- 2.5. *Secretary to the Committee*

Dr Nadine Lewycky	Assistant Registrar (Governance)
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## 2.6. *Terms of Reference*

The Committee reviewed its Terms of Reference at its meeting on 08 June 2021. The Committee agreed that reference should be made to the Committee's role in overseeing the university's cyber security arrangements. The Committee reviewed a mapping of its terms of reference and operation against the CUC's Audit Committee Code of Practice at its meeting on 29 September 2021 and agreed that it was compliant. The Terms of Reference are appended as Annex A.

## 2.7. *Committee Effectiveness*

The Committee's Terms of Reference require it to review its effectiveness on an annual basis. Due to the coronavirus pandemic, the Chair and Committee Secretary agreed to postpone the annual effectiveness review until early 2021. A review of effectiveness took place in spring 2021 and reported to the Committee in June 2021. Throughout 2020–21, the Committee continued to conduct its meetings via Zoom to ensure the continuance of effective governance. There were no issues that prevented the Committee from discharging its responsibilities effectively.

## 3. **Meetings of the Committee**

3.1. The Committee met on the following dates since the start of 2020–21:

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

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

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

## 4. **Internal Audit**

4.1. Internal audit services in 2020–21 were provided by KPMG for a fee of £101,940 plus VAT. KPMG was reappointed as Queen Mary's Internal Auditors in April 2017 for a period of four years following a tender process.

4.2. The total number of days allocated to internal audit during 2020–21 across all areas was 170. No restrictions were placed on the work of the Internal Auditors in 2020–21. The Committee considered progress reports on the 2020–21 audits at its meetings in November 2020, March 2021 and June 2021.

4.3. The Internal Audit Annual Report for 2020–21 was considered by the Committee at its meeting on 29 September 2021. A summary of the internal audit findings is attached as Annex B. Members attended a private meeting with the Internal Auditors ahead of the Committee meeting on 29 September 2021. There were no points from this meeting that the Committee needed to draw to the attention of Council.

4.4. Eight scheduled audits agreed in the 2020–21 operational plan were completed during this reporting period and the Committee received individual reports from each audit. The Committee approved changes to the original internal audit plan at its meeting in March 2021. The planned audit on Widening Access was removed and replaced with an audit of Registration data which would provide assurance on a wider breadth of data related to student funding. The planned audit on staff conduct was delayed to allow time for the new HR policies to bed in.

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 i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process.
<b>Amber-green</b>	One or more priority two recommendations i.e. that there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring.
<b>Amber-red</b>	One or more priority one recommendations or an identified need to improve the systems in place to enable achievement of strategic aims and objectives. i.e. the weakness or weaknesses identified have a fundamental impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks.
<b>Red</b>	One or more priority one recommendations and fundamental design or operational weaknesses in the area under review. i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and / or objectives; or result in an unacceptable exposure to reputational or other strategic risks.

4.6. The outcomes of the reviews undertaken is summarised in the following table:

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

4.7. The Committee considered the internal audit report on *Data quality: management of student data* at its meeting on 29 September 2021. The report received a rating of 'partial assurance with improvements required' (amber-red) with five medium and three low recommendations. Going forward, statistical returns were becoming more frequent

and greater accuracy in the data accuracy was needed to improve efficiency. The rating had been anticipated by management who were satisfied with the recommendations which focused on improving data quality governance arrangements and lines of accountability. The Committee asked whether the appointment of a single accountable officer would provide greater assurance. Management said that the system and the data was split across three teams so it was appropriate for each department to have an accountable individual.

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

## **5. External Audit**

- 5.1. Deloitte were appointed as Queen Mary's External Auditors for 2020–21. The fee for 2020–21 in respect of external audit services was £137,760 plus VAT. Members attended a private meeting with the External Auditors ahead of the Committee meeting held on 09 November 2021. There were no points arising from the private meeting that the Committee needed to be drawn to the attention of Council.
- 5.2. The Committee considered and approved the External Audit Plan for 2020–21 at its meeting on 09 March 2021.
- 5.3. The External Auditors' Report and management response for 2020–21 was considered by the Committee on 09 November 2021. The report included recommendations in relation to the management override of controls, tangible and intangible assets, credit note provision, classification of research income, cut off of research expenses and other income, and classification of the Malta intercompany receivable, all of which have been accepted by QMUL. The Committee gave detailed consideration to these recommendations, included in Annex C, which will be monitored by the Committee to ensure that effective controls are in place.
- 5.4. The External Auditors' Report did not identify any material issues and there were no material adjustments. The financial reporting control environment was considered to be suitably reliable for the preparation of financial information and there were no material control matters that needed to be drawn to the attention of the Committee.

## **6. Approval of Financial Statements**

- 6.1. At its meeting on 09 November 2021 the Committee recommended that Council should approve the Financial Statements for 2020–21 subject to any drafting amendments submitted by the Committee. **Council's decision at its meeting on 18 November 2021 was to approve the amended 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 2020–21 at its meetings in October 2020, March 2021, June 2021 and September 2021.
- 7.3. The Committee regularly discussed the governance and decision-making arrangements, and risks associated with the continuance of core business during the pandemic and the return to campus. The Committee was regularly updated on case numbers among staff and students which remained low throughout. At its meeting on 01 October 2020, the Committee heard that the Return to Campus group had shifted focus to emergency planning. Management was satisfied with the measures in place to make campus Covid-secure and with the residual risk following the implementation

of mitigating actions. The institutional risk assessment was in place having undergone consultation with the unions. Heads of Schools were responsible for overseeing local risk assessments.

- 7.4. The Committee considered the Fire, Health and Safety annual report 2020–21 at its meeting on 09 November 2021. The Committee discussed the Directorate’s ongoing response to Covid and its return to planned health and safety inspections and routine training. The Committee discussed the governance process around the escalation of health and safety risks and the monitoring of actions and recommendations.
- 7.5. The Committee discussed the impact of the pandemic on the progress of the 2030 Strategy. Elements, such as mixed mode education, had been brought forward, while capital projects had been delayed. The pandemic had also provided opportunities to move to a new way of working for administrative and academic staff which would free up capacity on the existing estate. The timescale for some mitigating actions on the Strategic Risk Register had been pushed back a year because of the pandemic. The Senior Executive was comfortable with the timescales and considered risk areas that were out of tolerance on a monthly basis.
- 7.6. The Committee discussed reputational risk in relation to senior staff appointments. The matter had been referred from Remuneration Committee which had identified a risk management issue in respect of the proper consideration of reputational risks in relation to a potential senior level appointment. It was reported to the Committee that the business case template and sign off process had been updated in response to the concerns raised. The Committee asked what assurance was being provided that due diligence had taken place and was informed that contextual information around engagement could be provided if necessary. The Committee said that reputational risks needed to be considered more broadly across the institution and assurance provided that an appropriate governance framework and escalation process were in place. A risk scoring framework had been developed to support the institutional and local risk registers and considered as part of the reporting on the Strategic KPIs.
- 7.7. Reports on strategic risk were provided to Council by the Chair of the Audit and Risk Committee at its meetings on 08 October 2020, 19 November 2020, 25 March 2021, 08 July 2021, 07 October 2021 and 18 November 2021.
- 7.8. The Committee received deep dive reports in the following areas:
  - [a] *International student recruitment*

At its meeting on 29 September 2021, the Committee received a presentation on recent trends in international student recruitment. The Committee received an update on plans to support international student growth in line with the 2030 Strategy and a summary of the key external risks. The Committee heard that the university’s international student recruitment was strong and returning to pre-pandemic levels. Strategic growth was focused on our four largest markets in the far East but that growth in the rest of the world would help to maintain diversity among the student population. The number of EU students travelling to the UK was 30-50% lower than before Brexit. These figures were expected to stabilise and would be mitigated by higher tuition fees. The Committee heard that the biggest risk to international student recruitment was the geopolitical situation between Britain and China which could impact the number of students travelling to the UK.
- 7.9. The Head of Internal Audit Opinion considers that significant assurance with minor opportunities for improvement can be given on the overall adequacy and effectiveness of the organisation’s framework of risk management, control and governance.

## **8. Legal Compliance**

- 8.1. The Committee considered a report on Queen Mary's legal compliance framework at its meeting on 09 November 2021. The framework comprises identification of relevant legislation, current areas of work, and the infrastructure of policies, guidelines, training and professional expertise.
- 8.2. On the basis of the information provided, the Committee was satisfied that Queen Mary has adequate and effective measures in place to secure compliance with applicable law and regulation.

## **9. Value for Money (VFM)**

- 9.1. The Committee considered the university's public report on Value for Money, which forms part of the Financial Statements, at its meeting on 09 November 2021. The report addresses how the university creates value for students, partners, the local community and society at large through its core activities of education and research. It also highlights the university's approach to environmental sustainability, and to safeguarding and utilising its resources and assets through efficiency and effectiveness, using the same metrics as in previous years.
- 9.2. The Internal Audit Annual Report stated that "We consider that Queen Mary University of London has adequate and effective arrangements in place to promote economy, efficiency and effectiveness."

## **10. Public Interest Disclosure (Whistleblowing)**

- 10.1. The Committee received one report of a disclosure under the whistle blowing policy between September 2020 and November 2021. The Committee considered the outcome of an external review of the university's whistle blowing policy and endorsed minor updates to the policy in light of this.

## **11. Serious incidents, including fraud and loss of assets**

- 11.1. Under the Financial Regulations, any suspicion of bribery, fraud, or other irregularity must be reported immediately to the Chief Operating Officer. There had been one incident reported to the Committee between September 2020 and November 2021.

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

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

- 12.1. A data quality review forms part of the annual Internal Audit Operational Plan. During 2020–21, the Internal Auditors undertook three data quality reviews. The review of the *Strategic KPIs, Part 2* received an overall assurance rating of 'significant assurance with minor improvement opportunities' (amber-green) and had two medium and three low recommendations. The review determined that there were robust processes and controls to ensure relevant and reliable data with controls in place across all data characteristics. The review of the *Transparent Approach to Costing (TRAC)* received a rating of significant assurance (green) with two low priority recommendations. The review of *Data Quality: Management on Student data* received a rating of partial assurance with improvements required (amber-red) and had five medium and three low priority recommendations. The recommendations focused on creating consistency across the faculties and improving accountability.



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

### **13. Opinion**

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

- (i) *Risk management, control and governance*  
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 2020–21, the regular updates of the Strategic Risk Register, the deep dive and discussions at the Committee and the Head of Internal Audit Opinion.
- (ii) *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 management and quality assurance of data returns to external 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; the Transparent Approach to Costing (TRAC) return; 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.

David Willis  
Chair, Audit and Risk Committee  
15 November 2021

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

## **Audit and Risk Committee Terms of Reference 2021–22**

Audit and Risk Committee is a committee of Council, mandated by the Office for Students (OfS) under the Terms and conditions of funding for higher education institutions. The Committee oversees Queen Mary University of London (QMUL)'s arrangements for external and internal audit, financial control and risk management, providing assurances in these key areas through its annual report to Council, which is shared with the OfS.

### **1. External and Internal Audit**

- 1.1 To make recommendations to Council at least annually on the appointment of external and internal auditors.
- 1.2 To commission a competitive tendering process:
  - for external audit services at least every 7 years; and
  - for internal audit services at least every 5 years.
- 1.3 To oversee external and internal audit services by:
  - promoting co-ordination between external and internal audit services;
  - providing input to, and approving, an annual external audit strategy and internal audit plan;
  - reviewing reports and recommendations from the external and internal auditors;
  - reviewing the adequacy and implementation of the Executive response; and
  - reviewing the effectiveness and objectivity of the external and internal auditors.
- 1.4 To review the draft annual financial statements with the external auditors and recommend their adoption by Council following satisfactory resolution of matters raised.

### **2. Financial Control and data assurance**

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

### **3. Risk management**

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

- 3.2 To regularly consider the current status of core risks to the QMUL Strategy, through the review of data and documents presented by the Executive and derived from the Strategic Risk Register.
  - 3.3 To periodically test scores and controls in selected areas of activity through consideration of specific reports, including a biannual report on cyber security.
  - 3.4 To review the OfS's Annual Institutional Risk Assessment, audits undertaken by its Assurance Service and relevant findings by other bodies.
  - 3.5 To oversee the Public Interest Disclosure (whistle-blowing) policy and receive regular reports from the Executive on cases.
- 4. Legal and Statutory Compliance**
- 4.1 To consider an annual report on exceptions to legal and statutory compliance from the Executive, and request follow up action, including investigation and reporting where identified.
- 5. Committee evaluation**
- 5.1 To review the Committee's effectiveness and the suitability of its terms of reference annually.

#### **Membership of Audit and Risk Committee**

- No less than three and no more than five external members of Council, one of whom will be the Chair of the Committee.
- Up to two co-opted members who are external to QMUL and have relevant expertise.

#### **Mode of Operation**

1. Audit and Risk Committee meets at least three times per year. The Committee holds 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 control arrangements as required by the OfS Terms and conditions of funding for higher education institutions.
3. The Committee reports to the next meeting of Council following each of its meetings in the form of an executive summary of its minutes. Specific proposals requiring Council consideration and approval are identified in the terms of reference.

# Head of Internal Audit Opinion 2020/21

## **Basis of opinion for the period 1 August 2020 to 31 July 2021**

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

## **Roles and responsibilities**

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

The Head of Internal Audit (HoIA) is required to provide an annual opinion in accordance with the Terms and Condition of Funding from OfS for 2020/21 (which in paragraph 51 require compliance with previous conditions issued, such as the Audit Code contained in the Terms and Conditions of Funding for Higher Education Institutions for the period to 31 July 2019). This opinion is 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 Committee, which can provide assurance, subject to the inherent limitations described below.

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

## **Opinion**

Our opinion is set out as follows:

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

## **Basis for the opinion**

The basis for forming our opinion is as follows:

- An assessment of the design and operation of the underpinning aspects of the risk and assurance framework and supporting processes; and
- An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas.#

## **Overall opinion**

Our overall opinion for the period 1 August 2020 to 31 July 2021 is that:

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

# Head of Internal Audit Opinion 2020/21

## *Opinion on risk management, control and governance for the period 1 August 2020 to 31 July 2021*

We provided an assurance rating of 'significant assurance with minor improvement opportunities' (**amber-green**) for our faculty review, which focussed on the management of risks and governance in faculties. We also reviewed the University's financial processes and controls and how these were updated in response to Covid-19, for which we provided an assurance rating of 'significant assurance with minor improvement opportunities' (**amber-green**).

We are required to provide an opinion on the design and operation of controls throughout the year, and have concluded 'significant assurance with minor improvement opportunities' (**amber-green**) 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 2020 to 31 July 2021*

We consider that Queen Marys, University London has adequate and effective arrangements in place to achieve economy, efficiency and effectiveness. During the course of our work, we identified areas where we believe that Queen Marys, University London could improve value for money, and reported these to management in our assignment reports. During 2020/21 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 Marys, University London to secure value for money in the use of resources.

## *Opinion on data quality for the period 1 August 2020 to 31 July 2021*

In 2020/21 we reviewed data quality arrangements the University has in place over the student data held and used in management information reporting and received an assurance rating of 'partial assurance with improvements required' (**amber-red**). There are no significant recommendation outstanding which are related to data quality.

Our overall conclusion on data quality arrangements is 'partial assurance with improvements required' (**amber-red**).

## *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 2020 to 31 July 2021 inclusive, and is based on the eight audits that we completed in this period.

## **The design and operation of the Assurance Framework and associated processes**

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

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

We have issued one 'partial assurance with improvements required' reports during the year, related to the data quality of student data. As part of the review of data quality of student data we did not raise any high priority findings and raised five medium priority findings. Since this review management have taken action to implement our recommendations within the period where possible. Our overall Head of Internal Audit Opinion for the period 1 August 2020 to 31 July 2021 is one of 'Significant assurance with minor improvement opportunities' (**amber-green**).

KPMG LLP

KPMG LLP  
Chartered Accountants  
London  
29 September 2021

# Control observations - 2021

## Internal control and risk management

We have identified certain control observations during the current year audit, which have been detailed below:

	Observation	Deloitte recommendation	Management response, owner and timescale
<b>Management override of controls - journals</b>	<p>In our controls testing we noted that there are no restrictions in place to prevent a user from posting entries directly to the ledger without prior authorisation within Agresso. The university's review process takes place outside of Agresso and is reliant on the poster notifying the reviewer to review the journal. There is a risk that inappropriate journals can be posted and not identified within the review process.</p>	<p>It is recommended that the journals approval process is carried out within Agresso to prevent inappropriate journals being posted without prior approval. There should be restrictions set within Agresso to prevent a user from posting a journal to the ledger without approval.</p>	<p><b>Response:</b> We understand that there have not been any incidence of the existing procedure not being followed and will consider the recommendation to implement journal approval within the finance system.</p> <p><b>Owner:</b> Deputy Director of Finance, Financial Controls</p> <p><b>Timescale:</b> February 2022</p>

# Control observations - 2021

## Internal control and risk management (continued)

We have identified certain control observations during the current year audit, which have been detailed below:

	Observation	Deloitte recommendation	Management response, owner and timescale
<b>Tangible and intangible assets</b>	<p>The university held tangible assets of value £613.8m and intangible assets of value £5.1m at the year-end. These assets are held on a fixed asset register which is maintained within an Excel file. The file contains a number of tabs for various asset categories with differing formats and maintenance is reliant on manual input of values (additions, disposals, capitalisation dates etc.) as well as formula (e.g. calculation of depreciation). There is an increased risk of error in the calculation and recording of entries due to this manual method of maintenance.</p>	<p>Due to the significant level of assets held, it is recommended that an asset management system is used. This will allow automated processing of accounting entries and reduce the risk of error. It will also provide better oversight of assets within the register.</p>	<p><b>Response:</b> We understand that there have not been any issues with the fixed asset register and note the recommendation to implement an asset management system. We will investigate the functionality of the finance system fixed asset module</p> <p><b>Owner:</b> Deputy Director of Finance, Financial Controls</p> <p><b>Timescale:</b> March 2022</p>

# Control observations - 2021

## Internal control and risk management (continued)

We have identified certain control observations during the current year audit, which have been detailed below:

	Observation	Deloitte recommendation	Management response, owner and timescale
<b>Tangible assets</b>	<p>As part of our testing of a sample of capital research grants we noted that an amount relating to service costs for laboratory equipment had been incorrectly capitalised. FRS 102 requires that repairs and maintenance costs should be expensed to profit and loss and not capitalised as part of the cost of an asset.</p> <p>This invoice was in itself trivial and due to an exercise performed by management to identify any other possible instances of service costs being capitalised not yielding any further issues we are satisfied that this is an isolated instance with no other issues noted.</p>	<p>It is recommended that management perform a formal review of costs capitalised so to ensure that, going forward, service costs are not capitalised.</p>	<p><b>Response:</b> Our capitalisation process already includes a formal review, it is unfortunate that this trivial item was overlooked. We believe it is an isolated incidence which our process should have identified.</p> <p><b>Owner:</b> Head of Financial Accounting</p> <p><b>Timescale:</b> Immediate</p>



# Control observations - 2021

## Internal control and risk management (continued)

We have identified certain control observations during the current year audit, which have been detailed below:

	Observation	Deloitte recommendation	Management response, owner and timescale
	<p>As part of our testing of a sample of post year-end credit notes, we noted a research credit note relating to the 2021 financial year was not adjusted in the relating year.</p>	<p>We recommend that management perform a formal review of credit notes raised post year-end as part of the close process to identify if any items have an impact on the financial year.</p>	<p><b>Response:</b> Agreed – we will perform a formal post year end research credit note review</p> <p><b>Owner:</b> Head of Financial Accounting</p> <p><b>Timescale:</b> Financial year end – August 2022</p>
<b>Credit note provisions</b>	<p>The credit note was in itself trivial and due to the mechanism for research grant accounting entries, we are satisfied that the error remains on the balance sheet (i.e. a grossing up of assets and liabilities) and has no impact on the statement of comprehensive income and expenditure.</p>		

# Control observations - 2021

## Internal control and risk management (continued)

We have identified certain control observations during the current year audit, which have been detailed below:

	Observation	Deloitte recommendation	Management response, owner and timescale
<b>Classification of research income</b>	<p>As part of our testing of research grant income we noted several non-research grants with income in year of £3.1m were incorrectly classified within research grant income. This error was adjusted for by management by reclassifying the amount to other income. Our testing of research grant income did not identify any further items that were incorrectly classified as research related.</p> <p>We also identified classification adjustments within the research grant income note disclosure due to incorrect funder classifications, which did not impact the research grant income itself.</p> <p>Grants are maintained within the Worktribe system used by the JRMO team where the classification of grants are input. This system interfaces with the accounting system and is therefore used as the basis of preparation of the research grant income note. Reporting is therefore reliant on the funder classification inputs being input correctly within Worktribe.</p>	<p>It is recommended that a formal review of grants is performed between both the Worktribe and Agresso system to ensure that grants are classified appropriately.</p>	<p><b>Response:</b> We had identified that two grants were erroneously included in research income and were in the process of moving these to other income.</p> <p>There were however a number of grants which were assigned to incorrect research-funder classifications which we agree is a control weakness. We will review the grant set up process to understand the root cause and rectify as appropriate.</p> <p><b>Owner:</b> SMD Finance Partner</p> <p><b>Timescale:</b> January 2022</p>

# Control observations - 2021

## Internal control and risk management (continued)

We have identified certain control observations during the current year audit, which have been detailed below:

	Observation	Deloitte recommendation	Management response, owner and timescale
<b>Cut-off of research expenses</b>	<p>As part of in year research grant expenditure testing we noted 4 invoices relating to the 2020 financial year that had not been accrued for.</p> <p>These invoices were trivial in aggregate and included items both below and above management's accrual threshold of £5,000. An extrapolation of this error would provide a projected error above our trivial threshold. Management have performed an additional exercise to review all research expenditure for September and October 2021 (in addition to the review previously performed for August 2021 as part of the financial reporting close process) to assess invoices requiring accrual and have identified invoices totalling £1.6m that were omitted from the 2020/21 expenditure.</p> <p>We have tested a sample of post year-end invoices and also not identified further issues. We are therefore satisfied that there are no material issues for the purpose of the 2021 financial year.</p>	<p>We recommend that management continues to perform a formal review to assess the completeness of all accruals made at year end.</p> <p>It is also recommended that the existing controls around receipting goods on a timely basis are reinforced.</p>	<p><b>Response:</b> We have noted that the accrual issues identified relate to invoices coming through several months after year end and are not therefore within the invoice population that falls into the post year end accruals review period (August).</p> <p>a) We will continue to perform a formal review to assess the completeness of research accruals at year end.</p> <p>b) We will remind staff of the Purchase to Pay process and importance of timely purchase orders and receipting of goods and services which are fundamental to our accruals process.</p> <p><b>Owner:</b></p> <p>a) Head of Financial Accounting b) Deputy Director of Finance, Financial Controls</p> <p><b>Timescale:</b></p> <p>a) Financial year end 2022 b) February 2022</p>

# Control observations - 2021

## Internal control and risk management (continued)

We have identified certain control observations during the current year audit, which have been detailed below:

	Observation	Deloitte recommendation	Management response, owner and timescale
<b>Cut-off of other income</b>	<p>We have identified a cut-off error in our testing of a sample of 'Other Income'. We found that the amount of income recognised related to services performed during financial years 17/18 to 19/20 which was not accrued for in previous years.</p> <p>The amount was in itself trivial, however an extrapolation of this error would provide a projected error above our trivial threshold and points to a possible control deficiency over the cut-off of QMUL's other income balance.</p>	<p>It is recommended that management continues to perform a formal review to ensure that all income for services provided during the year is accrued for where required.</p>	<p><b>Response:</b> Noted. We will continue to review during our year end process.</p> <p><b>Owner:</b> Head of Financial Accounting</p> <p><b>Timescale:</b> Annually within year end processes</p>

# Control observations - 2021

## Internal control and risk management (continued)

We have identified certain control observations during the current year audit, which have been detailed below:

	Observation	Deloitte recommendation	Management response, owner and timescale
<b>Classification of Malta inter company receivable (Institution only)</b>	<p>QMUL has an inter company receivable of £6.7m (2019: £5.6m) from one of its Maltese subsidiaries.</p> <p>We have challenged the classification of this debtor as a current asset. Whilst the debtor is repayable on demand, with repayments expected to commence in 2021/22, a significant proportion of the debtor (£5.9m if compensation amounts are received or £6.5m if compensation amounts are not received) is not expected to be settled within 12 months after the year-end. Management expect the debtor to be fully settled by 2024/25 (if compensation amounts are received) or 2025/26 (if compensation amounts are not received). An adjustment has been proposed to reclassify the amount as a non-current asset.</p> <p>This item has been included within our uncorrected misstatements for the Institution accounts. This adjustment has no impact on the group accounts.</p>	<p>It is recommended that management perform a review to assess whether any intercompany receivables held within the group require reclassification from current assets to non-current assets.</p>	<p><b>Response:</b> Given the immaterial value of the non-current intercompany debt element we do not consider that inclusion within the current assets would cause a reader to misinterpret the financial statements. Noting that this would be eliminated on consolidation. We therefore do not intend to adjust for this technical disclosure.</p> <p><b>Owner:</b> n/a</p> <p><b>Timescale:</b> n/a</p>