



HEFCE Assurance Review Report

Outcome requested:	Audit and Risk Committee is asked to consider the HEFCE Assurance Review report.
Executive Summary:	<p>A HEFCE Assurance Review was undertaken at QMUL on 26 February 2016. The aim of the review was to examine how the institution exercises accountability for the public funding which it receives. HEFCE's overall conclusion was that they are able to place reliance on the accountability information provided by QMUL.</p> <p>The following actions are to be taken in response to a number of recommendations made in the report:</p> <p><i>The College as an exempt charity</i></p> <p>We have updated the list on our gateway page of trustees of QMUL who also work as trustees of other charities. Our register of disclosable interests is updated annually in September and in response to in-year declarations from Council members and staff. We intend to update the information on our gateway page at the same time in future.</p> <p><i>Annual report of the Audit Committee</i></p> <p>With effect from the 2015–16 Annual Report, we will invite the Audit and Risk Committee to frame its opinion on value for money with reference to adequacy and effectiveness. The opinion contained in the Internal Audit Annual Report for 2014–15 is already framed in these terms, and Audit and Risk Committee is taking sufficient business in this area to support its own, required annual opinion in future.</p> <p>We have agreed that the Audit and Risk Committee needs to take more business on the management and quality assurance of data and have identified the following steps to address this.</p> <ul style="list-style-type: none">a) Starting in June 2016, we will supplement existing work by Internal Audit with an annual report providing assurance to the Audit and Risk Committee on how the executive tests the robustness and quality of data returns [<i>NB. Audit and Risk Committee will receive this report in October 2016</i>].b) With effect from the 2015–16 Annual Report, we will invite the Audit and Risk Committee to frame its opinion on the management and quality assurance of data to HESA, the SLC and HEFCE with reference to adequacy and effectiveness.

	c) We will review the Internal Audit plan for 2016–17 in the light of the annual report from the executive ((a) above) while maintaining a regular cycle of data audits.
QMUL Strategy:	Strategic Aim 6: to achieve and sustain financial strength to enable our academic ambitions, through a balanced portfolio of activities.
Internal/External regulatory/statutory reference points:	HEFCE Memorandum of Assurance and Accountability
Strategic Risks:	11 – Sustainable income streams. 12 – Cost control, VfM and expenditure 13 – Maintain effective and constructive governance
Equality Impact Assessment:	Not required
Subject to prior and onward consideration by:	QMSE 24 th May 2016
Confidential paper under FOIA/DPA	No
Timing:	The recommendations will be taken forward during the 2016–17 academic year.
Author:	HEFCE
Date:	19 May 2016
Senior Management/External Sponsor	Professor Simon Gaskell, President and Principal

HEFCE Assurance Review

Queen Mary University of London

Date of visit: 26 February 2016

Final report: 13 May 2016

Reviewer: Julian Knight

Introduction

1. A HEFCE Assurance Review was undertaken at Queen Mary University of London (the College) on 26 February 2016. The aim of the review, as set out in HEFCE Circular letter (25/2006) 'Assurance Service work in higher education institutions', was to examine how the College exercises accountability for the public funding which it receives.

Scope

2. The College is required to demonstrate to HEFCE, through its various returns, that:

- it has adequate and effective risk management, control and governance;
- funds have been applied only for the purposes for which they were received;
- it is financially sustainable;
- value for money (VFM) is achieved;
- data can be relied upon
- it complies with charity related reporting requirements.

3. The returns on which HEFCE places reliance are:

- audited financial statements;
- external auditor's management letter;
- annual report of the Audit Committee;
- annual report of the Internal Auditor;
- financial forecasts and commentaries;
- Annual Monitoring Statement (AMS);
- Transparent Approach to Costing (TRAC) return;
- TRAC (T);
- Higher Education Students Early Statistics Survey (HESES); and
- Annual Assurance Return.

There are in addition two optional returns:

- value for money report; and
- annual sustainability assessment.

4. In undertaking an Assurance Review we may conclude one of the following:

- We are able to place reliance on the accountability information.
- We are able to place reliance on the institution's accountability information, but have made recommendations for improvement in a number of areas.
- The institution needs to implement recommendations so that we can rely on the accountability information.
- We cannot place reliance on the accountability information.

Overall conclusion

- Our overall conclusion is that we are able to place reliance on the accountability information.

Assurance Review findings

Introduction

5. This section of the report includes our findings from the Assurance Review and observations by exception.

6. The report is based on the most recently submitted annual accountability returns, the minutes of Council and its Audit and Risk Committee and Finance and Investment Committee meetings in the twelve months prior to the Assurance Review and interviews with governors and executives on 26 February 2016.

The College as an exempt charity

7. The narrative pages in the 2014-15 audited financial statements identify the College as an exempt charity and include a clear report on activities delivered for the public benefit and confirm that Council members (the trustees of the charity) had regard to the Charity Commission's public benefit guidance.

8. The College's internet site has a page providing, as required by HEFCE, information about the College's legal name, address, constitution, its trustees and audited financial statements for the last five years.

9. Exempt charity HEIs are also required under the HEFCE Memorandum of Assurance and Accountability (MAA HEFCE 2014/12 Annex E paragraph 5 c) to include on their open web sites a list of all other charities of which each trustee of the HEI is also a trustee. We understand that the list was updated in spring 2016.

10. We were pleased to see that in its 2014-15 audited financial statements the College made all of the disclosures it is required to make as an exempt charity as specified in the HEFCE Memorandum of Assurance and Accountability (MAA, HEFCE 2014/12) and HEFCE's annual accounts direction.

External audit management letter

11. The External Audit management letter for 2014-15 was discussed at the November meeting of the Audit and Risk Committee prior to the Council meeting at which the audited financial statements were due to be signed.

Audited financial statements

12. The audited financial statements for 2014-15 were considered by the Council at its 24 November meeting at which they were approved on the recommendation of Audit and Risk Committee.

13. We were pleased to see that, as required by HEFCE's Accounts Direction, the audited balance sheet was signed by an independent governor (the Chair of Council) and by the Accountable Officer.

Annual report of the Internal Auditor

14. The Internal Auditor attended all meetings of the College's Audit and Risk Committee in 2015. The Accountable Officer, Audit and Risk Committee and Council need independent opinions from Internal Audit on the adequacy and effectiveness of the College's arrangements for risk management, control and governance; and economy, efficiency and effectiveness. We were pleased to see that these opinions were provided unambiguously in the Internal Audit Annual Report for 2014-15 which was fully compliant with the MAA.

15. The Internal Audit annual report for 2014-15 was received by Audit and Risk Committee at its meeting on 14 September 2015.

Annual report of the Audit Committee

16. Council is kept informed of Audit and Risk Committee business through submission of reports from the Committee.

17. The Audit and Risk Committee produced an annual report for 2014-15. Audit committees are required to give opinions on the adequacy and effectiveness of the HEI's arrangements for risk management, control and governance; economy, efficiency and effectiveness (value for money – VFM); and the management and quality assurance of data submitted to HESA, HEFCE, the Student Loans Company and other bodies. Opinions were given on all of these subjects to Council (which is ultimately responsible under the terms and conditions of HEFCE grant for each of these matters). However the wording of the opinions would benefit from some further fine tuning.

18. The opinion on risk management, control and governance in the 2014-15 report is very helpfully framed with the phrase "adequate [ie suitably designed] and effective [ie the controls are operating as designed]". Under the MAA the "adequate and effective" framing is also required for the opinions on VFM and on the management and quality assurance of data. Furthermore an explicit reference to data submitted to the Student Loans Company is required in the opinion on the management and quality assurance of data (and work will, of course, need to be undertaken by the Audit and Risk Committee to support this opinion). This must be done with effect from the Committee's 2015-16 Annual Report.

19. With effect from the 2015-16 Annual Report, the Audit and Risk Committee should unambiguously frame all of its three opinions with reference to adequacy and effectiveness and should ensure that the data opinion explicitly refers to the Student Loans Company. The College has agreed to action this.

20. In addition to the opinions the report contained brief (very brief in the case of the data opinion) supporting information by the Committee illustrating the information bases it used in arriving at its opinions. There is probably a need for Audit and Risk Committee to reflect on whether it is taking sufficient data business to support its required annual opinion to Council. The College has agreed with this observation and has identified steps to address it.

21. The 2014-15 annual report was discussed at the Committee's November meeting and approved by Council later in the month.

Financial forecasts and commentaries

22. HEIs are required to submit to HEFCE a five year financial forecast in July. The forecast must be accompanied by a narrative commentary.

23. HEFCE's Annual Accountability Return circular (2015/16) requires approval of the forecast by the governing body (as the body ultimately responsible for ensuring the institution's financial sustainability). We were pleased to see that Council approved the forecast at its meeting in June 2015. Finance and Investments Committee considered the draft forecast at its meeting earlier in June and recommended it to Council.

24. It is HEFCE's intention that HEIs should submit to their governing bodies the forecast and commentary in the format in which it will be submitted to HEFCE. This will ensure that, in assessing HEIs' financial sustainability, HEFCE will be seeing information that is approved by the governing body which is ultimately responsible for financial sustainability.

25. Finance and Investment Committee and Council are advised of the College's financial performance at every meeting by the Executive.

Annual Monitoring Statement (AMS)

26. Under the Annual Accountability Returns 2015 circular the Accountable Officer is required to approve the AMS. We were pleased to see that the College's Accountable Officer duly signed the AMS in December 2015.

Higher Education Students Early Statistics Survey (HESES)

27. The Accountable Officer approved HESES 2015 after personally reviewing the return and obtaining assurance about its accuracy from the compiler of the Survey.

Annual Assurance Return

28. The Annual Assurance Return consists of two parts. The first concerns the personal responsibilities of the Accountable Officer and must be signed by the Accountable Officer (this cannot be delegated). The second (only applicable to exempt charities, such as the College) concerns the responsibilities of the trustees and must be signed as a trustee on behalf of all trustees.

29. The Accountable Officer is able to sign the Annual Assurance Return because of his detailed personal knowledge of the College's risk management, control and governance. The Accountable Officer is *ex officio* a member of Council and attended the autumn term meetings of Audit and Risk Committee by invitation.

30. It is a good practice to submit the annual assurance return to the governing body prior to signature since this enables clear authorisation of the signature of Part 2 on behalf of all trustees. We were pleased to see that the return was formally approved by Council at its meeting on 24 November.

Annual sustainability assessment

31. HEFCE encouraged HEIs to participate voluntarily in the Financial Sustainability Strategy Group's implementation of the Annual Sustainability Assessment (ASSUR Report). We are grateful to the College for voluntarily submitting an ASSUR report to HEFCE in December 2015.

32. The Annual Sustainability Assessment was discussed by Council at its meeting on 24 November where it was approved. The Assessment was properly signed by the Chair of Council before submission to HEFCE.

Transparent Approach to Costing (TRAC) return

33. The College submitted its 2014-15 TRAC return to HEFCE as required in January 2016. We were pleased to see that, as required by the Annual Accountability Returns Circular, the declaration was signed by the Accountable Officer.

34. We understand that the 2014-15 TRAC return was signed off by the Chair of Audit and Risk Committee on 27 January 2016 and the full Committee then ratified this decision at its meeting on 4 February 2016.

TRAC (T)

35. We were pleased to see that the 2014-15 TRAC (T) return was approved by the Accountable Officer, as required by HEFCE.

Corporate risk management

36. Under the HEFCE accounts direction HEIs are required to make disclosures in the narrative of their financial statements about their corporate risk management arrangements. The expectation is that governing bodies will have in place corporate risk management arrangements comparable to those required of listed companies.

37. The Executive provided risk management updates to every meeting of the Audit and Risk Committee in 2015 (risk management is a standing agenda item for this Committee and quality time is devoted to the subject). A strategic risk management annual report was received by Council at its November meeting in addition to regular reports from Audit and Risk Committee.

38. HEFCE's Accounts Direction for higher education institutions' 2014-15 financial statements (Circular Letter 25/2014) states in paragraph 11 that "HEIs are required to make a statement on corporate governance covering the period 1 August 2014 to 31 July 2015 and up to the date of approval of the audited financial statements." We were pleased to see that the 2014-15 audited financial statements included the required statement that corporate risk management processes applied throughout the year of account and up to the date of approval of the audited financial statements.

Governance effectiveness review

39. The Committee of University Chairs recommends ("The Higher Education Code of Governance" published December 2014) that governing bodies must conduct a regular, full and robust review of their effectiveness and that of their committees at least every four years.

40. We were pleased to see that the College undertook a review of its effectiveness in 2014.

HEFCE assurance reporting

41. This report has been prepared for HEFCE and for use within the College. It does not include every matter that was discussed during the Review.

42. Whilst we have no objection to the report being made available to third parties, no responsibility is accepted for any reliance third parties may place upon it. Unless circumstances change, we expect to conduct our next Assurance Review at the College in five years' time.