



Annual Report of Audit and Risk Committee 2016–17 (Draft 1)

Outcome requested	Audit and Risk Committee is asked to note the first draft of the Annual Report for 2016–17. The final report will be submitted to Council in November.
Executive Summary	<p>Under the HEFCE Memorandum of Assurance and Accountability the Committee is required to produce an Annual Report for submission to Council and HEFCE. The report must include the Committee's conclusions on the adequacy and effectiveness of:</p> <ul style="list-style-type: none"> • QMUL's risk management, control and governance arrangements; • arrangements for promoting economy, efficiency and effectiveness; • arrangements for the management and quality assurance of data submitted to HESA, the Student Loans' Company, HEFCE and other funding bodies. <p>The report should also record the Committee's work in relation to:</p> <ul style="list-style-type: none"> • the External Auditors' management letter; • the Internal Auditors' annual report; • QMUL's arrangements in respect of risk management, value for money and data quality; • the annual financial statements. <p>Information to be added following this meeting or when information is available has been highlighted in red.</p>
QMUL Strategy:	6. To achieve and sustain financial strength to enable our academic ambitions, through a balanced portfolio of activities.
Internal/External reference points:	HEFCE Memorandum of Assurance and Accountability; CUC Handbook for Members of Audit Committees in Higher Education Institutions.
Strategic Risks	11. Financial strength through a balanced portfolio of activities; 12. Cost control, VFM and expenditure; 13. Maintain effective and constructive governance; 15. Security of people, assets and data; appropriate contingency arrangements for facilities and functions.
Subject to onward consideration by:	The final version of this report will be submitted to Council for approval in November 2017 and then to HEFCE.
Confidential paper under FOIA/DPA:	No
Equality Impact Assessment	Not required
Timing:	Submission to Council on 30 November 2017 and HEFCE by 03 December 2017.
Author:	Sian Marshall, Assistant Registrar (Council and Governance)

Date:	11 September 2017
Senior Management/ External Sponsor	David Willis, Chairman of Audit and Risk Committee

Audit and Risk Committee Annual Report 2016–17

1. Introduction

- 1.1. This is the Audit and Risk Committee's Annual Report for the 2016–17 financial year. It has been prepared in accordance with and reference to the HEFCE Memorandum of Assurance and Accountability and the CUC Handbook for Members of Audit Committees in Higher Education Institutions.

2. Committee Constitution

- 2.1. The Committee reviewed progress at each meeting against the annual business plan for 2016–17.

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

External Members of Council

David Willis (Chairman)
Kathryn Barrow
Monica Chadha

Co-opted External Member

Nadim Choudhary
Melissa Tatton

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

Representatives of the Senior Executive and other senior officers

Professor Edmund Burke	Vice-Principal (Science and Engineering)
Joanne Jones	Finance Director
David Marks	Deputy Director of Strategic Planning
Jonathan Morgan	Academic Registrar and Council Secretary
Laura Gibbs	Chief Operating Officer
Janice Trounson	Deputy Director (Financial Controls)

Representatives of the Internal Auditors

Neil Thomas	KPMG
Paul Cuttle	KPMG

Representatives of the External Auditors

Sue Barratt	Deloitte
Paul Thomas	Deloitte

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

- 2.5. *Secretary to the Committee*

Sian Marshall	Assistant Registrar (Council and Governance) (from June 2016)
Sian Marshall	Assistant Registrar (Council and Governance) (until June 2016)

2.6. *Terms of Reference*

The Committee reviewed its Terms of Reference at its meeting on 02 October and made no amendments.

2.7. *Committee Effectiveness*

The Committee's Terms of Reference require the Committee to review its effectiveness on an annual basis. During 2016–17, members were invited to complete an effectiveness survey. The results of this survey were: insert survey results and agreed actions.

3. Meetings of the Committee

3.1. The Committee met on the following dates from the start of 2016–17:

- 03 October 2016;
- 10 November 2016;
- 07 February 2017;
- 01 June 2017;
- 02 October 2017;
- 14 November 2017.

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

	03-10-16	10-11-16	07-02-17	01-06-17	02-10-17	14-11-17
K Barrow	✓	✓	x	✓		
M Chadha	✓	✓	✓	✓		
N Choudhary	x	✓	✓	x		
M Tatton	✓	✓	✓	✓		
D Willis	✓	✓	✓	✓		

4. Internal Audit

4.1. Internal audit services in 2016–17 were provided by KPMG for a fee of XXXX plus VAT. As required by the Committee's Terms of Reference, a tender exercise was undertaken for internal audit services to be provided from 2017–18 onwards and KPMG were reappointed as QMUL Internal Auditors.

4.2. The total number of days allocated to internal audit during 2016–17 across all areas was XXX compared to 225 during 2015–16. No restrictions were placed on the work of the Internal Auditors in 2016–17, and the Committee considered progress reports on the 2016–17 audit at its meetings in November, February, and June.

4.3. The Internal Audit Annual Report for 2016–17 was considered by the Committee at its meeting on 02 October 2017. A summary of the internal audit findings is attached as Annex B (to be inserted). Members attended a private meeting with the Internal Auditors ahead of the Committee meeting on 02 October 2017. There were no points from this meeting that the Committee needed to draw to the attention of Council.

4.4. Eight scheduled reviews agreed in the 2016–17 operational plan were completed during this reporting period and the Committee received individual reports from each review. One review, IT, was removed from the plan on the request of management. Two further reviews from the 2015–16 operational plan were also considered by the Committee during this reporting period.

4.5. Internal audit verdicts are classified according to a series of assurance levels, identified in the following table:

Assurance level	Classification
Green	Priority three only, or no recommendations i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process.
Amber-green	One or more priority two recommendations i.e. that there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring.
Amber-red	One or more priority one recommendations or an identified need to improve the systems in place to enable achievement of strategic aims and objectives. i.e. the weakness or weaknesses identified have a fundamental impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks.
Red	One or more priority one recommendations and fundamental design or operational weaknesses in the area under review. i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and / or objectives; or result in an unacceptable exposure to reputational or other strategic risks.

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

Review	Outcome (rating)	Number of Recommendations		
		Level one	Level two	Level three
Animal welfare	Amber-green	0	1	4
Capital projects (contract management)	Amber-green	0	1	2
Financial management	Amber-green	0	1	3
Health and Safety (2015–16)	Amber-green	0	1	2
Research degree data	Amber-green	0	1	3
Research overhead recovery (2015–16)	Amber-green	0	1	2
School of Languages, Linguistics and Film	Amber-green	0	1	3
Student complaints and appeals	Amber-green	0	2	0
Student housing: Compliance with the UUK/GUILD HE code of practice	Amber-green	0	3	1
Translation of student numbers	Amber-green	0	0	3

4.7. The Committee, following consideration and scrutiny of the management responses and the monitoring of the implementation of agreed actions, considered that appropriate actions and controls had been put in place to address the recommendations made.

4.8. The Committee considered the 2017–18 draft Internal Audit Operational Plan at its meeting in June 2017. A revised plan, incorporating the Committee’s feedback, was **agreed** at its meeting on 02 October 2017.

5. External Audit

5.1. Deloitte were appointed as QMUL’s External Auditors for 2016–17. The fee for 2016–17 in respect of audit services was £XXXk. Members attended a private meeting with the External Auditors ahead of the Committee meeting held on **14 November 2017**.

There were no points arising from the private meeting that the Committee needed to draw to the attention of Council.

- 5.2. The Committee considered the External Audit Plan for 2017–18 at its meeting on 07 February 2017.
- 5.3. The External Auditors' Report and management response for 2014–15 was considered by the Committee on 14 November 2017. The Report concluded that [insert comments on findings and key accounting issues and management responses].
- 5.4. [Add any considerations by the Committee of the External Auditors' Report.]

6. Approval of Financial Statements

- 6.1. At its meeting on 14 November 2017 the Committee proposed that Council should [insert Committee's recommendation] the adoption of the Financial Statements 2016–17. Council's decision at its meeting on 30 November 2017 was to [insert Council's decision] the Financial Statements.

7. Risk Management

- 7.1. QMUL's approach to risk management is set out in its risk management framework which was reviewed during 2014–15. The internal audit plan was aligned with identified risk areas.
- 7.2. The Committee received and discussed the Strategic Risk Register during 2016–17 at its meetings in October 2016, February 2017, June 2017 and October 2017. [Add Committee's comments on the Risk Register following the feedback from SRMG.]
- 7.3. Reports on strategic risk were provided to Council by the Chairman of Audit and Risk Committee at its meetings on 26 October 2016, 16 February 2017, 10 July 2017 and 19 October 2017.
- 7.4. The Committee received deep dive reports in the following areas:

[a] Cyber security

The report had outlined the risks faced by universities in the area of cyber security, including breaches of student, staff, research or clinical data, the loss of intellectual property and anti-competitive behaviours. QMUL had taken steps to mitigate against these risks by building resilience on centrally-managed IT systems, but continued to face challenges with locally-managed legacy systems, the increasing use of mobile technologies, the move to cloud services, and ever-evolving methods of attack. This was an area of risk that the Committee would keep under review during 2017–18.

[b] Social media

The key risk from social media was to reputation arising from inappropriate postings, comments made in a personal capacity perceived as corporate statements, activity on channels not managed by QMUL, and a lack of capacity to monitor channels out of hours. Whilst the increased usage of social media could pose a risk to QMUL, the Committee acknowledged that campaigns had been very successful and it was essential to embrace social media as a key communication tool, with opportunities for instantaneous interaction being particularly important to QMUL's target demographic.

- 7.5. The Head of Internal Audit Opinion considered 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 QMUL's legal compliance framework at its meeting on **02 October 2017**. The framework comprises identification of relevant legislation, current areas of work, and the infrastructure of policies, guidelines, training and professional expertise.

XXXX Add summary of findings

8.2. **[On the basis of the information provided, the Committee was satisfied that QMUL has adequate and effective measures in place to secure compliance with applicable law and regulation].**

8.3. The Committee considered a report on QMUL's compliance with the Prevent Duty at its meeting on **14 November 2017**. On the basis of the evidence presented at the meeting on **14 November 2017**, including **[insert summary of evidence provided]**, the Committee confirms that throughout the academic year and up to the date of approval, QMUL:

- **has had due regard to the need to prevent people being drawn into terrorism (the Prevent Duty);**
- **has provided to HEFCE all required information about its implementation of the Prevent duty;**
- **has reported to HEFCE in a timely way all serious issues related to the Prevent duty.**

9. Value for Money (VFM)

9.1. The Committee considered an annual report on value for money at its meeting on **14 November 2017**. The Committee came to the following judgement in relation to the promotion of economy, efficiency and effectiveness.

[Insert consideration of VFM report and other VFM controls.]

9.2. The Internal Audit Annual Report stated that **[insert conclusion]**.

10. Public Interest Disclosure (Whistleblowing)

10.1. **XX** cases of Public Interest Disclosure were reported between September 2016 and November 2017.

11. Fraud Investigations

11.1. **XX** cases of fraud were reported between September 2016 and November 2017.

12. Data quality and integrity

12.1. A data quality review forms part of the annual Internal Audit Operational Plan. During 2016–17, the Internal Auditors undertook a review of research degree data. This review was rated as 'significant assurance with minor improvement opportunities' (amber-green).

12.2. The Committee received a report on the TRAC return at its meeting on 07 February 2017. The process and results had been reviewed by the TRAC Advisory Group comprising both Professional Services and academic staff and the Chairman of Audit and Risk Committee.

12.3. **The Committee received a report on the management of external data returns at its meeting on 14 November 2017. The report provided contextual information about the number and nature of data returns, the interactions between them and how they are used to determine funding levels and in the compilation of league tables. It described internal and independent mechanisms used by management to obtain assurance about the quality of data and the robustness of returns.**

13. Opinion

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

- (i) *Risk management, control and governance*
[insert opinions]
- (ii) *Value for money*
[insert opinions]
- (iii) *The management and quality assurance of data*
[insert opinions]

14. Work of the Executive

14.1. The Audit and Risk Committee wished it to be recorded and reported to Council that
[insert Committee opinion on the work of the Executive over the past year.]

David Willis
Chairman, Audit and Risk Committee.
Insert date

Annex A: Terms of Reference

Annex B: Head of Internal Audit Opinion

Annex C: External Audit Report – Recommendations and management responses