the

GOVERNING BODY

2022/2023 Audit and Risk Committee Annual Report
to the University Governing Body and the Vice-Chancellor, Professor Jane Harrington

Introduction

1.   The Committee of University Chairs' Higher Education Audit Committees Code of Practice (2020) requires the Audit & Risk Committee to report to the Governing Body and Head of Institution on the discharge of its responsibilities during the reporting period. This report covers the period 1 August 2022 to November 2023 and contains the following appendices:

     Annex 1   Internal Auditors' Annual Report 2022-2023
     Annex 2   External Auditors' Report to the ARC on the Audit for the Year ended 31 July 2023 (ISA (UK) 260)

Operation of Meetings and Terms of Reference

2.   The Committee met seven times during the period August 2022 to November 2023.

     The Internal and External Auditors are routinely invited to have a private meeting with the Committee (without management present) before each meeting. The External Auditors met with the Committee in November 2022 and November 2023 and the Internal Auditors met with the Committee in September 2022 (BDO LLP, the previous internal auditors) and June 2023 (KPMG LLP).

3.   The Committee has continued with its development programme. During the reporting period, the Committee received briefings from the External Auditors on Changes to Audit Regulation and Quality and Climate Change Reporting. Updates and briefings from the auditors are routinely circulated to the Committee.

4.   In the interests of good practice, the Committee regularly reviews its Terms of Reference. As a result of this year's review, changes were made to reflect the University's Delegation Framework (developed in 2022) with some reformatting to ensure consistency with the other committee terms of reference. In addition, in response to an internal audit review, the Committee's involvement in ensuring compliance with OfS conditions of registration has been clarified. Other changes were minor. These revised Terms of Reference received Governing Body approval on 27 June 2023.

Internal Audit

5.   The Committee draws assurance from the work of the Internal Auditors in monitoring the effectiveness of the University's internal controls. KPMG LLP provided internal audit services to the University under a contract starting in August 2022 for a period of three years. The Committee received assurance through the following:

5.1 Internal Audit Strategy and Plan for 2022-2023

The 2022-23 plan proposed a total of 114 days covering 8 audit reviews. These were completed and, in addition and at the request of management, an additional review on controls around staff travel was undertaken in response to an incidence of fraud.

5.2 Internal Audit Reports and Recommendation Follow-Up

The Committee takes a focussed approach in overseeing the work of the Internal Auditors. It receives a summary of the internal audit reports and outcomes and concentrates on considering the detailed findings and management responses for 'high' and 'medium' risk recommendations. The number of recommendations in each category ('high', 'medium' and 'low') are reported to the Committee. The Committee requires the Internal Auditors to monitor progress with the implementation of recommendations by officers and report to each meeting. Where relevant, in keeping with the Committee's instruction, KPMG has set separate implementation dates for muti-part recommendations and milestone targets for long-dated actions, to help monitoring of progress. The Committee has again noted management's good progress in implementing recommendations over the course of the reporting period, with only one action remaining overdue at year end.

5.3 Internal Audit Annual Report 2022-2023 and Opinion (Annex 1)

The annual report summarises the assurances that the Committee has received from the work undertaken by the Auditors during the year. The reviews inform the Committee's opinion on the adequacy and effectiveness of the University's arrangements for risk management, control and governance, sustainability, economy, efficiency and effectiveness (value for money) and the quality of data submitted to regulatory bodies. The audit reviews carried out to provide this assurance were:

- Risk Management (review on strategic risk management)
- Control and Governance (review on OfS compliance
- Financial Sustainability (review on financial controls, specifically anti-fraud controls)
- Quality of Data (review on Student Data Quality and Data Futures)
- Economy, Efficiency and Effectiveness (ie value for money is an inherent consideration in all audit reviews within the plan).

In respect of the audits undertaken to examine the design and effectiveness of internal controls:

➢ One received "significant assurance"
➢ Seven received "significant assurance with minor improvement opportunities"
➢ One received "partial assurance"
➢ None received "no assurance".

6. The Committee is mindful of the key matters identified by the Internal Auditors from their findings. The need for improvements in the University's systems and processes for complying with the ESFA funding conditions around degree apprenticeships was recognised by the executive. Significant work to address the findings has now been completed.

External Audit

8. The Committee draws assurance from the work of the External Auditors in meeting its responsibility for reviewing and recommending to the Governing Body the annual consolidated financial statements of the University. This is the fifth financial audit undertaken by the University's External Auditors, PricewaterhouseCoopers LLP (PwC).

9.   During the reporting period, the Committee has undertaken detailed scrutiny of the report and financial statements for the University for the years ended 31 July 2022 and 31 July 2023. In both cases, the Committee's consideration was informed by a number of accompanying documents, including the External Auditors' Report on the Audits (ISA (UK) 260) (the report for the year ended 31 July 2023 is appended at Annex 3); a detailed report from the Chief Financial Officer on the results for the year, including key accounting judgements and estimates; and a report from the Chief Financial Officer which outlined the work to confirm that preparation of the accounts on a going concern basis was appropriate.

10.   In considering the financial statements for the year ended 31 July 2023, the Committee noted the year-end operating surplus had been slightly below projections. This was primarily a reflection of a challenging cost environment and management recognised that tighter financial management, including cost efficiencies, would be required in the coming years. PwC had flagged the high level of provisions for bad debt and the Committee noted the planned improvements to debt recoverability. PwC indicated that, subject to verification of a few outstanding issues, an unqualified opinion would be issued. Subject to final amendments, the Committee approved the financial statements for the year ended 31 July 2023 for recommendation to the meeting of the Governing Body on 21 November 2023.

Risk Management

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11.   The Committee remains mindful of the importance of risk management in the University's governance arrangements. Overall accountability and responsibility for the management of risks rests with the Governing Body which delegates the responsibility for keeping the effectiveness of risk management under review to the Audit & Risk Committee. At an operational level, the University Secretary is the executive lead for risk management across the University. The Committee received their assurance through the following:

11.1   Risk Management Framework
Periodic review of the Risk Management Framework, including the Risk Management Policy, Risk Management Guide and Risk Appetite Statement. During the reporting period, a review of the risk management framework was undertaken by an external consultant. This included a facilitated discussion by the Governing Body on risk appetite at its development session on 23 November 2022. In preparation for this session, Governors and VCE members were surveyed for their views and interviews subsequently held with selected Governors and members of the executive. The resulting proposals on risk appetite were considered at the November development session. As a consequence of that discussion, revised risk appetite proposals were approved by the Governing Body at its February 2023 meeting.

The documentation comprising the Risk Management Framework were also refreshed. Amendments included clarification of the hierarchy of strategic risk registers for the sub- and enabling strategies and escalation of risks to the Strategy Programme Board as well as processes for considering risks with residual scores over their risk tolerance threshold and for risk mitigations or risk acceptance. The revised Risk Management Policy, Risk Management Guide and Statement of Risk Appetite were approved by the Governing Body at its May 2023 meeting. The Governing Body found the review to be worthwhile and agreed the work had led to a more robust foundation for the management of risk across the University.

11.2   Strategic Risk Register
The regular assessment of risk which is carried out through a cycle of review. The Committee routinely receives a risk management report, the updated Strategic Risk Register (SRR) and a risk map on a quarterly basis. The SRR contains risks which are clearly aligned to the priorities in the strategic plan and to the University's agreed Strategic KPIs. The current SRR contains nine strategic risks and four compliance risks. There is an established process to ensure the regular

refreshing of risks. Each strategic risk has a sponsor and an operational lead who meet with the Vice-Chancellor and University Secretary every six months to review risks and their mitigation. Subsequent revisions to the SRR are reviewed by the Vice-Chancellor's Executive prior to submission to the Committee. In between these deep dives, risk owners and operational leads undertake further reviews via correspondence with the University Secretary. The SRR, risks and risk scores are regularly reviewed to reflect changes in risks and reported to the Audit and Risk Committee and Governing Body.

11.3   Governing Body Consideration of Risk
Strategic risks are regularly considered by the Governing Body. The current format of the SRR was approved by the Governing at its March 2022 Strategy Day. As referenced in para 11.2 above, the Governing Body is actively involved in the management and control of risk and considers strategic risks at each of its meeting. As part of this engagement with risk, the Governing Body is provided with a risk dashboard derived from the SRR. The facilitated discussion with the external consultant on how the University should approach its risk appetite and risk thresholds in November 2022 led to revised proposals.

11.4   Internal Audit Review
The assessment of the University's risk management arrangements by the Internal Auditors. During the period, KPMG undertook a review of strategic risk management with a specific focus on the principal processes around the Strategic Risk Register. The audit received an overall rating of 'significant assurance with minor improvement opportunities' with one medium and three low risk recommendations raised. The Internal Auditors' concluded that there were robust arrangements for the quarterly review of the strategic risk register by management and Governors and a strong culture of risk awareness amongst key stakeholders. The processes for identifying, recording and reviewing strategic risks were well-designed.

12.   On the basis of the Internal Auditors' assessment and the good practice identified during the course of their work, the Committee remains satisfied that the University's internal processes are well placed to foster a culture of risk management and that an appropriate framework exists within which to assess, evaluate and take action to mitigate risk.

Value for Money (VfM) and Sustainability

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13.   The Audit & Risk Committee is required to satisfy itself that suitable arrangements are in place to promote economy, efficiency and effectiveness (ie value for money). The Committee is also mindful of the need to ensure the achievement of VfM for students and taxpayers as required by the OfS Regulatory Framework. The Committee has received assurance through the following:

13.1   VfM Monitoring and Reporting
The Committee receives an annual report on VfM governance which outlines the ways in which a culture of VfM is embedded across the University. The report was considered at the March 2023 meeting of the Committee and was subsequently provided to the Finance Committee for information. The report uses the OfS's definition of VfM to group the University's activities across three core VfM areas used by the OfS (Teaching Quality and Outcomes, Consumer Protection and Fees, Funding and Efficiency). At the Committee's request, this year's report also indicated how the strategic KPIs related to VfM objectives, either directly or indirectly. The work to standardise business cases to ensure VfM from its investment in the estate and digital advancement was noted. The Committee was satisfied that the report provided a positive account of the University's commitment to achieving VfM.

13.2 Internal Audit Assessment of VfM
The Committee is required to provide an annual opinion on the adequacy of the University's arrangements for achieving VfM. Consideration is given during an audit to whether the underlying systems encourage VfM. During the course if their work this year, the Internal Auditors noted that their work had not led to any findings which would cause them to question the arrangements in place to secure value for money in the use of resources.

14. On the basis of the information provided, the Committee remains satisfied that a value for money culture exists within the University and that University Officers are committed to achieving economy, efficiency, effectiveness and exercising prudence in all its corporate and academic strategies and the use of financial and other resources.

15. The CUC Audit Committees Code of Practice requires the Committee to satisfy itself that effective arrangements are in place to ensure the sustainability of the institution. As indicated (see section 11), the Committee regularly reviews the University's Strategic Risk Register which includes major risks to the University's sustainability, and the Committee draws assurance from the Internal Auditors' assessment of the adequacy of the University's risk management arrangements. The University's going concern assessment was reviewed by the Committee in November 2022 and November 2023 as part of the Committee's review of the University's financial statements. The Committee also notes that the terms of reference of the Finance Committee include ensuring the financial sustainability of the University and that the University's financial performance is regularly monitored by the Finance Committee and the Governing Body. On this basis, the Committee is satisfied that adequate and effective arrangements are in place to ensure the sustainability of the institution.

Data Assurance

16. The Committee is required by the CUC Audit Committees Code of Practice to satisfy itself that effective arrangements are in place to ensure appropriate and accurate data returns to regulatory bodies. It receives assurance through the following:

16.1 Annual Report on Management and Quality Assurance of External Data Submissions
The Committee receives an annual report on data governance and the processes in place for managing and assuring the quality of data submitted to external agencies (provided to the Committee in September 2022 and October 2023). The report provides comfort on the robustness of the systems and processes in place. In October 2023 the Committee noted that the University's data management and assurance processes are comprehensive and include a post-submission review to ensure that improvements to processes are noted. All statutory returns to HESA and OfS had been made in a timely fashion with all queries answers and data verification processes met.

16.2 Internal Audit Assessment of Data Quality
The Internal Auditors carry out an annual audit on data quality. A review in 2022/23 of the University's readiness for 'Data Futures', HESA's new student data collection, had an overall rating of "significant assurance with minor improvement opportunities" on control design and operational effectiveness. The audit had led to one 'medium risk' recommendation and three 'low risk' recommendations. The Internal Auditors identified several areas of good practice and commended the University on the status of its preparedness compared to other higher education providers. The Committee had been satisfied with management's assurances that full submission of the new data process in August 2023 would be delivered on time.

In accordance with the OfS TRAC return process, the Committee received a review of the 2021/22 TRAC cycle, its approach to the 2022/23 TRAC return and

benchmarking data of its performance against its peers. The Committee noted the senior leadership oversight of the process to help drive engagement.

16.3 Data Protection and Security
The Committee maintained its focus on IT and information security given the importance of the risk. It received assurance from the following:

➢ Regular briefings from the Chief Information Officer including:

  ➢ The findings of an emergency response expertise facilitated by JISC in February 2022 which tested the University's ability and readiness to manage a serious cyber security incident (September 2022 meeting)
  ➢ The levels of external assurance around cyber security including the work to attain ISO accreditation for IT service delivery (October 2023 meeting).

➢ The findings of relevant Internal Audit reviews. During the period a review on IT Service Delivery (providing "significant assurance" on design and operational effectiveness) was carried out. The Internal Auditors particularly noted that the University's model was mature for the sector.

➢ The regular monitoring of IT security metrics, as a standing item at each of the Committee's meetings. The metrics are kept under regular review to ensure they remain fit for purpose. The Committee noted measures to continue to strengthen the IT security environment. It was pleased to note that NRI had attained accreditation of the ISO27001 standard for Information Security and was supportive of the ongoing work to achieve ISO20000, the standard for IT service delivery.

➢ Regular monitoring of staff and PGR student completion rates for mandatory training on data protection and IT security. The Committee is satisfied with the continuing improvement in overall completion rates (peaking at 99% during the reporting period for permanent staff). This improvement was partly driven by the new automated approach to enforcing completion through the restriction of access to IT accounts, particularly for temporary staff and PGR students. The Committee is supportive of the intention to introduce new refresher training on information compliance and data protection to bring a new perspective to the training.

Governance and Other Work

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17. The Committee's opinion includes the adequacy of the University's governance arrangements. Arising out of the 2021/22 external governance effectiveness review of the Governing Body and its committees, the Committee reviewed aspects of the new draft Governing Body Delegation Framework which were relevant to its remit. The Framework received formal Governing Body approval at its November 2022 meeting.

18. The Committee has been kept apprised of the work to liquidate the two Devonport House Companies (GDCC NewCo ("G") Limited and Greenwich Devonport Conference Centre Limited) associated with the reassignment of the Devonport House lease back to the University. The matter has been complex and both the former Internal Auditors, BDO, and PwC have been consulted on different aspects of the transaction. On behalf of the Committee, the former Chair approved the filing of unaudited accounts with Companies House for these two entities for the year ended 31 July 2022. At its October 2023 meeting, the Committee noted that the two companies were expected to be struck off within the next coming months. The companies were subsequently struck off by Companies House on 24 October 2023 and dissolved on 31 October 2023.

19. As part of its role in ensuring robust internal controls are in place to secure legal and regulatory compliance, the Committee annually considers an assessment from the University Secretary of the University's compliance with the Office for Students' Ongoing

Conditions of Registration. A report was considered at the September 2022 meeting and the next report will be presented to the January 2024 meeting. Additionally, during the reporting period, the Internal Auditors carried out a review of the internal processes and controls for ensuring compliance with the requirements of the OfS. This work led to a rating of 'significant assurance with minor improvements' with regards to control design and operating effectiveness.

20.   Following discussion of the 2021/22 annual report on health and safety at the Governing Body meeting in February 2023, the Committee has concerned itself with monitoring the progress of health and safety KPIs and the ongoing work to address fire safety issues at the Daniel Defoe Hall of Residence. The Committee was pleased to note an improving picture for KPI achievements and noted that the reorganisation of the health and safety service across the University was expected to lead to a further step-change in performance.

21.   With regard to the Committee's remit for monitoring institutional culture and behaviour as required by the CUC HE Audit Committees' Code of Practice and the CUC's revised HE Code of Governance, the Committee considered an internal audit review on Staff Recruitment and Retention and noted the need for a more strategic approach to staff retention aligned with workforce planning. At its October 2023 meeting, the Committee received a summary of the actions and milestones to develop a specific plan around staff retention by the deadline of 30 June 2024. The Committee will keep track of progress via the internal auditors' regular follow-up of recommendations. The internal auditors, KPMG, have developed a soft controls methodology to evaluate culture and behaviour where appropriate in audits, which was used in three reviews in 2022/23 (strategic risk management, UKVI culture of control and financial controls). The Committee looks forward to seeing the methodology deployed in further audits in the 2023/24 plan.

22.   The Committee has reviewed institutional documentation prepared as part of the University's regulatory obligations prior to its submission to the Governing Body for approval. This has included the reports prepared in relation to the Prevent statutory duty and the requirements of the Modern Slavery Act. In relation to its remit for governance processes associated with the management of risk and ethical behaviour, the Committee received reports on disclosures made throughout the reporting procedure under the University's Public Interest (Whistleblowing) Policy and Procedure.

23.   The Committee is notified of actions taken under the policies on fraud and irregularity and is required to oversee significant losses are thoroughly investigated. During the reporting period, the Committee was kept informed of an incidence of fraud investigated under the Counter Fraud Policy. The matter has been reported to the OfS as well as to the police and remains ongoing.

Opinion

24.   The Committee has reviewed the findings of the Internal auditors on the effectiveness of the systems of internal control, governance and risk management. Arising from their work during 2022/23, the Internal Auditors raised 51 actions, of which six were high priority, 15 were medium priority and 30 were low priority. The previous report had noted the increase in the average number of recommendations per audit over the last four years. With the appointment of KPMG as new Internal Auditors this year, like-for-like comparisons are not possible, and trend analysis will start again from this report onwards. However, the Committee has been pleased to note the continuing improving performance in implementing internal audit actions. The Committee remains satisfied that the VfM principles are integrated into day-to-day activities and that the University's arrangements for ensuring value for money and sustainability are adequate and effective, subject to improvement in some areas.

25.   The Governing Body strives to be consistent with the guidance from the Committee of University Chairs (CUC) and to comply with all essential elements of the CUC's Higher Education Code of Governance and Higher Education Senior Staff Remuneration Code.

The Committee is satisfied that the Corporate Governance Statement in the Report and Financial Statements for the year ended 31st July 2023 is a reasonable summary of how the principles of corporate governance have been and continue to be applied in the University.

26. On the basis of all sources of information provided, the Committee has concluded that overall, the University's internal systems of risk management, control and governance arrangements were largely adequate and effective and were of an appropriate standard to attaining economy, efficiency and effectiveness. The Committee is also assured from the information provided to it that the University's arrangements for the management and quality assurance of data provided to external bodies are adequate and effective.

T A Brighton
Date: 21 November 2023