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## **GOVERNING BODY**

**2020/2021 Audit and Risk Committee Annual Report  
to the University Governing Body and 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 2020 to November 2021 and contains the following appendices:

Annex 1	Internal Auditors' Annual Report 2020-2021
Annex 2	External Auditors' Audit Results Report [see item 4.3 on the agenda of the Governing Body's business meeting]

### **Operation of Meetings and Terms of Reference**

2. The Committee has met seven times during the period August 2020 to November 2021.  
  
The Internal and External Auditors are routinely invited to have a private meeting with the Committee (without management present) before each meeting, and the chair of the Committee contacts both Auditors before each meeting to offer the opportunity of a private discussion with the chair or with the Committee. The External Auditors met with the Committee in November 2020 and in November 2021, and the Internal Auditors in June 2021.
3. The Committee has an annual training programme. During the reporting period, the Committee received a presentation on the University's subsidiary companies from the Finance team, a briefing from the Director of Procurement & Business Services on procurement and a briefing on Cyber Risk from the Director of Information & Library Services. 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. Following the publication of the CUC Higher Education Audit Committees' Code of Practice in June 2020, the terms of reference were comprehensively reviewed to ensure they met the broader remit of audit committees specified by the Code and align with the model terms of reference provided within the Code. The amendments largely reflect the Committee's new responsibilities for institutional culture and behaviour and sustainability. These revised Terms of Reference received Governing Body approval on 20 October 2020. A further review since that time has not been felt necessary.

5. The Committee relies on the work of the Internal Auditors in ascertaining the effectiveness of the University's internal controls. BDO LLP provide internal audit services to the University's under a contract running to July 2022. The Committee received assurance through the following:

**5.1 Internal Audit Strategy and Plan for 2020-2021**

Out of a proposed total of 179 days covering 12 audit reviews, 10 reviews were completed over 131 days. The following changes to the plan were agreed in response to developments:

- Replacement of an audit of management information and KPIS with an audit of payroll, following the implementation of the new HR Oracle system
- Splitting the review of the anti-money laundering / anti-fraud and whistleblowing processes into a desktop review of policies and a review of controls, with the policy review and review of whistleblowing carried out in 2020/21 and the review of anti-money laundering / anti-fraud controls to take place in 2021/22.
- Postponement of the review of the Business Continuity Plan to 2021/22
- Removal of an audit on governance following the decision to commission an externally facilitated governance review in 2021/22
- Addition of an audit on compliance with the Web Content Accessibility Guidelines.
- Postponement of an audit of Cyber Security to 2021/22.

**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. Attention has been given to closing down two recommendations raised during 2019/20. Both are dependent on system enhancements and the Internal Auditors are assessing the best way to achieve comfort without having to wait for the system enhancements to be implemented. The Internal Auditors have made specific reference in their internal audit opinion on management's good progress in implementing recommendations over the course of the reporting period.

**5.3 Internal Audit Annual Report 2020-2021 and Opinion (Annex 1)**

The annual report summarises the work undertaken by the Auditors during the year. In respect of the assurance audits with opinions given:

- 20% received substantial (ie full) and 50% received moderate assurance in relation to the design of internal controls
- 30% received substantial (ie full) and 50% received moderate assurance for the effectiveness of internal controls.

The Internal Auditors have concluded that reasonable assurance can be given to the adequacy and effectiveness of the University's risk management, control and governance processes and its arrangements for economy, efficiency and effectiveness. Notwithstanding that conclusion, limited assurance had been

assigned on the design of the University's controls in relation to payroll and student debt.

6. The Committee is mindful of the key themes identified by the Internal Auditors from their findings. The identification of deficiencies within University IT systems and applications was a theme identified during the 2019/20 audit work, and this has continued into 2020/21, such as audit reporting within the payroll system and processes for the management of student debt. The Internal Auditors recognised that the University is currently upgrading its finance system and that the implementation of the new system will help to address the recommendations raised. Other issues relating to compliance and oversight of web content accessibility and the evidencing of controls in place were also identified.
7. The Internal Auditors were also commissioned by management during 2020/21 to carry out a special review, outside the internal audit plan, in support of an internal investigation.

### **External Audit**

8. The Committee is reliant upon 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 third 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 2020 and 31 July 2021. In both cases, the Committee's consideration was informed by a number of accompanying documents, including the External Auditors' Audit Results Report (the report for the year ended 31 July 2021 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 on going concern 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 2021, the Committee noted that the year end operating surplus had significantly exceeded expectations for two consecutive years. This was primarily a reflection of the unexpectedly successful recruitment cycle. Management recognise that further improvement to forecasting controls is required and that this will be derived from the implementation of the new finance system. The financial statements for the year ended 31 July 2021 were approved by the Governing Body on 24 November 2021 and will be submitted to the Office for Students by the OfS's deadline of the end of February 2022.

### **Risk Management**

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

### **11.1 Risk Management Framework**

Regular review of the Risk Management Framework. The key documents, the Risk Management Policy, Risk Management Guide and Statement of Risk Management are reviewed to ensure their appropriateness and submitted to the Governing Body for approval. Changes for 2019/20 were approved by the Governing Body in October 2019. A review in 2020/21 was postponed due to Covid-19 and pending completion of the strategic plan refresh and will be taken forward in 2021/22 in conjunction with a new Corporate Risk Register.

### **11.2 Corporate Risk Register**

The regular assessment of risk which is carried out through a cycle of review. The Committee receives a risk management report, the updated Corporate Risk Register and a risk map on a quarterly basis. Changes resulting from the local review of risk registers within Faculties and Directorates and consideration by the Operations Management Group and Vice-Chancellor's Group are reflected in the Corporate Risk Register prior to submission to the Committee. One new risk for Covid-19 related tuition fee rebates and student legal claims has been added during the reporting period. Some changes to residual risk scores for risks have been implemented to reflect changes in risk circumstances, including the University's recruitment and financial performance and the higher education environment.

### **11.3 Governing Body Consideration of Risk**

The regular consideration of corporate risk by the Governing Body. A summary report on corporate risks and changes to strategic risks is presented each quarter. There has been specific focus on risks in the context of developing the University's new strategy "This is Our Time", with consideration of risks with the potential to hinder achievement of strategic ambitions and the appetite towards these risks being considered, in particular, at the Governing Body's strategy sessions in March 2021 and October 2021.

### **11.4 Internal Audit Review**

The annual assessment of the University's risk management arrangements by the Internal Auditors. Although no specific review of the risk management framework was undertaken during the reporting period, the Internal Auditors have assessed risk mitigation as part of the governance arrangements evidenced during audits of the data protection and Prevent operations and the review of anti-money laundering, counter-fraud, anti-bribery and whistleblowing processes.

### **11.5 External Audit Assessment of HE Risk**

A presentation from PwC on the current risks across the HE sector. As part of the Committee's interest in monitoring emerging risks, the presentation provided assurance that appropriate consideration is being given to the principal risks (eg uncertainty around government policy, increased incidence of IT and cyber risk, student recruitment) in the current covid-19 environment.

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.

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). In this respect, the Committee is mindful of the variety of stakeholders which also need to be satisfied included demonstrating VfM for students and taxpayers. The Committee has received assurance through the following:

**13.1 VfM Monitoring and Reporting**

At the start of the reporting period, the Committee and the Finance Committee defined their respective roles relating to VfM. The Audit & Risk Committee's role was agreed to centre around providing assurance on the adequacy of the controls for achieving VfM. As part of a larger conversation around VfM monitoring and reporting, it was agreed that a mapping of VfM information provided to the Governing Body and its committees should be undertaken to demonstrate how a culture of VfM was embedded, including information relating to those aspects of the OfS Regulatory Framework that are relevant to VfM. The first such report was considered at the March 2021 meeting of the Committee and provided to the Finance Committee for information at its April 2021 meeting. The report grouped the University's activities under the OfS definition of VfM across three core areas (Teaching Quality and Outcomes, Consumer Protection and Fees, Funding and Efficiency). The Committee was satisfied that the report provided a positive account of the University's commitment to achieving VfM. It found the report's focus on students and the measures to drive continuous improvement of teaching quality and outcomes reassuring and also noted the findings of an internally executed review of compliance with consumer protection law.

**13.2 Value for Money Strategy**

The University's objectives for achieving value for money are specified in its Value for Money Strategy approved by the Governing Body on 25 November 2019. The work of the One University Project continues to be an important aspect of VfM efficiency in terms of improved operational practices and more effective use of resources.

**13.3 Procurement Function**

The Committee is aware of the pivotal role of the Procurement function in the embedding of VfM. Implementation of its procurement strategy and framework, use of procurement consortia and efficiencies from the e-procurement platform enable the procurement function to achieve efficiency savings. A presentation on the University's procurement arrangements for some Committee Members was given by the Director of Procurement & Business Services on 29 October 2020.

**13.4 Internal Audit Assessment of VfM**

The work undertaken by the Internal Auditors always includes consideration of whether the underlying systems encourage VfM. Two audits conducted with a particular VfM focus looked at insurance and student debt. Despite, some inefficiencies in student debt management processes being identified, the Internal Auditors have given a positive opinion on the University's arrangements for achieving economy, efficiency and effectiveness (value for money).

14. On the basis of the information provided on value for money activities, initiatives and measures to engender VfM efficiencies, and other sources, 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.

### **Data Assurance**

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

#### **15.1 Annual Report on Data Processes**

The Committee receives an annual briefing note on data governance and the processes in place for managing and assuring the quality of data submitted to external agencies. The report provides comfort on the robustness of the systems and processes in place. The Committee noted that there had been slow progress by HESA in implementing the sector's data transformation project, but pilot sessions were planned in 2021/22.

#### **15.2 Internal Audit Assessment of Data Quality**

The Internal Auditors carry out an annual audit on data quality. A review of the submission to the Higher Education Statistics Agency (HESA) on the Staff return provided moderate/substantial assurance. The audit examined the effectiveness of the systems and processes underpinning the completion of the data return and for ensuring the completeness and accuracy of the data. The Internal Auditors identified three minor areas for improvement but commended the University on several areas of good practice. As the return had been compiled using data from the new Horizon system, this was agreed to be a particularly positive outcome from the audit.

#### **15.3 OfS Audit**

The Committee noted the formal outcome of an audit conducted in 2019 by OfS on the HESES student return for 2017/18. The student reconciliation exercise had identified a financial shortfall on the OfS teaching contract. The Committee agreed that the audit had been beneficial to improving processes and noted the actions to be taken to prevent a future occurrence of the forecasting deficiencies which led to the shortfall.

#### **15.4 Data Protection and Security**

The Committee continues to focus on IT and information security given that it is a key risk. It receives assurance from the following:

- Regular presentations from the Director of Information & Library Services on the ongoing work in his areas:
- Re management of risks associated with increased cyber threat during covid-19 (September 2020 meeting)

- Re IT asset security management at which the Committee was updated on the proposals to standardise the IT service provision and centralise IT asset management (November 2020 and June 2021 meetings).
- The findings of Internal Audit reviews on IT Resilience (which provided moderate/substantial assurance) and Social Engineering (providing moderate/substantial assurance). At the request of management, a planned review on Cyber Security which was due to commence in July 2021 has been deferred to 2021/22 (commencing October 2021) due to availability of key staff caused by prioritisation of major projects and workload planning.
- The regular monitoring of IT security metrics, as a standing item at each of the Committee's meetings, to benchmark the University's performance in IT security effectiveness. The metrics measure factors such as the anti-virus protection status of laptop and desktop devices, the efficacy and trends of the email filtering system, and vulnerability management. The metrics are kept under regular review to ensure they remain fit for purpose. The Committee is supportive of an extended business case submitted to further enhance the IT security environment which is currently under consideration.
- Monitoring of staff completion rates for mandatory training on data protection and IT security. The Committee noted the most recent statistics where 85% of all staff (94% of permanent and 52% non-permanent) have completed both courses. The Committee was encouraged by the continued high completion rate for permanent staff and has asked management to devise a plan of action for improving completion among non-permanent staff.
- Progress updates on Project Ascent concerned with modernising the financial management information system. The Committee was supportive of management's decision to implement the project in two phases, thereby delaying the planned deployment date from 1 August 2021 to 1 December 2021 (for the Enterprise planning and management modules) and 1 April 2022 for the Enterprise resource planning modules), in order to ensure the successful delivery of the project.

### ***Governance and Other Work***

16. The Committee has received regular updates on the Covid-19 developments to understand the impact on the delivery of teaching and learning and how the risks to student experience are being managed as the pandemic evolved. The Committee is assured that contingency planning for the winter months is under way.
17. As part of its role in ensuring robust internal controls are in place to secure legal and regulatory compliance, the Committee annually considers a self-assessment review of the University's compliance with the Office for Students' 'Ongoing Conditions of Registration'. The Committee was reassured by the information provided and noted the proposals to reshape some registration conditions relating to academic quality and standards.
18. The Committee has concerned itself with understanding the implications of the CUC HE Audit Committees' Code of Practice and the CUC's revised HE Code of Governance which places a new requirement upon audit committees to include institutional "culture and behaviour" in its remit. A mapping of information relevant to the culture and behaviour

of the University provided routinely to the Governing Body and its committees has helped the Committee understand the existing mechanisms in place to enable Governors to engage with these matters.

19. 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 (including an internal audit report on Prevent which received substantial assurance) 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 during 2020/21 under the University's Public Interest (Whistleblowing) Policy and Procedure. Proposed amendments to the institutional policies around anti-money laundering, counter-fraud, anti-bribery and whistleblowing were considered following periodic review. As a preliminary piece of work, the Internal Auditors have carried out a desktop review of the policies and their comments have informed the updating of them. The internal audit report on the "Whistleblowing Policy" received moderate assurance.
20. The results of an internal effectiveness review of the Audit & Risk Committee were considered at the March 2021 meeting. The feedback was largely positive and comments pertinent to the timeliness of issuing papers to the Committee are being addressed. Committee Members had unanimously welcomed the improvement in financial information provided and the more streamlined internal audit reporting.

### **Opinion**

21. The Committee has reviewed the findings of the Internal auditors on the effectiveness of the systems of internal control, governance and risk management. There has been a marginal reduction in the levels of assurance for both the effectiveness of internal controls and design of controls for audited systems. The average number of recommendations per audit has increased over the last three years, and is believed to relate to management directing internal audit to areas where improvements are likely to be derived from internal audit reviews. The number of high significance recommendations had practically halved. 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 are adequate and effective, subject to improvement in some aspects.
22. 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 2021 is a reasonable summary of how the principles of corporate governance have been and continue to be applied in the University.
23. 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 overall opinion has been informed by the separate assessments of the management control and quality assurance of data provided to the Office for Students, HESA, Student Loan Company and other public bodies, which is that overall these arrangements are adequate and effective. (tbc)



24. In the Committee's opinion, the Governing Body has satisfactorily discharged its responsibilities as described in the Statements of Responsibilities of the Governing Body contained within the Annual Report and Financial Statements.

*T A Brighton / Peter Garrod*

*Date: 19 November 2021*