

the

GOVERNING BODY

**2019/2020 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 2019 to November 2020 and contains the following appendices:

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| Annex 1 | Internal Auditors' Annual Report 2019-2020 |
| Annex 2 | External Auditors' Audit Results Report |

Operation of Meetings and Terms of Reference

2. The Committee has met eight times during the period August 2019 to November 2020.
3. The Internal and External Auditors are routinely invited to have a private meeting with the Committee (without management present) before each meeting. Both sets of auditors met with the Committee in November 2019 and the External Auditors in November 2020.
4. The Committee has an annual training programme. During the reporting period, the Committee received a presentation on the Prevent duty from the Royal Borough of Greenwich and regular presentations from the Director of Information & Library Services on all aspects of IT risk. Updates and briefings from the auditors are also circulated to the Committee.
5. In the interests of good practice, the Committee reviews its Terms of Reference at its summer meeting in 2020. Following annual review, minor amendments were agreed to increase committee membership from five to six people and to modify the Committee's oversight of the risk relating to legal cases and tribunals. The amended Terms of Reference were endorsed by the Governing Body on 29 June 2020.
6. Following the publication of the CUC Higher Education Audit Committees' Code of Practice in June 2020, the terms of reference were more comprehensively reviewed to ensure they met the broader remit of audit committees specified by the Code. The Terms of Reference were revised to align with the model terms of reference provided within the Code. The amendments, in particular, 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. The Committee is considering how to reflect the new responsibilities in its operations in 2020/21.

7. 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 2022. The Committee received assurance through the following:

7.1 Internal Audit Strategy and Plan for 2019-2020

Out of a proposed total of 193 days covering 15 audit reviews, 13 reviews were completed over 170 days. Some changes to the plan were agreed partly due to the impact of Covid-19 but also in response to developments, such as the additional audit of fire safety management following the request by Government for universities to review their fire safety arrangements.

7.2 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 normally 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. A significant number of historic recommendations raised during 2016/17 and 2017/18 were closed during the year. The Internal Auditors have acknowledged this year that management has placed greater emphasis on closing out recommendations in a timely manner and that an increased awareness and responsiveness from action owners across the University has been evident.

7.3 Internal Audit Annual Report 2019-2020 and Opinion (Annex 1)

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

- 43% received substantial (ie full) and 50% received moderate assurance in relation to the design of internal controls
- 50% received substantial (ie full) and 35% 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 operational effectiveness of the controls in relation to the estate aspects of the capital programme and also on the design and effectiveness of the University's controls in relation to fire safety. The scope of the latter audit on fire safety covered assessment of the controls and record keeping in place to manage arrangements and was not an assessment of compliance with fire safety regulations. The Committee is aware that management is working to address the shortcomings identified in these reports.

8. The Committee is mindful of the emerging themes identified by the Internal Auditors from their findings which pinpoint to some areas of residual risk, for example some deficiencies with University systems and a lack of integration between them. The Internal Auditors recognised that senior management has implemented some strong controls in

areas but discovered some compliance issues at a Faculty level, particular in relation to procurement. Some failures relating to access to policies and procedures, and a lack of formal monitoring and recording of processes were also identified. Some of these issues will be addressed by the implementation of the enhanced Oracle Horizon Finance system and upgrade of the Banner student records system.

External Audit

- 9 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 second financial audit undertaken by the University's External Auditors, PricewaterhouseCoopers LLP (PwC).
- 10 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 2019 and 31 July 2020. 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 2020 is appended at Annex 3). In considering the financial statements for the year ended 31 July 2020, the Committee noted that the year-end operating surplus had significantly exceeded expectations. This was a reflection of many variables, including exceptional efforts to contain costs and costs being lower than anticipated due to the circumstances of the pandemic. Some areas for improvement in the forecasting process and system functionality had been identified. The Committee noted that management was putting an improvement plan in place to improve the controls over forecasting prior to implementation of the new integrated finance system. The financial statements for the year ended 31 July 2020 were approved by the Governing Body on 24 November 2020 and will be submitted to the Office for Students by the OfS's deadline of the end of February 2021.

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 who 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. The 2020 review is scheduled for the Committee's meeting in January 2020.

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. No new risks have been added during the reporting period. A separate covid-19 risk register was produced at the time of the lockdown. At start of the 2020/21 session, the risks, controls and actions from this risk register incorporated into the Corporate Risk Register under the relevant risk, reflecting the extended nature of the pandemic. Some changes to residual risk scores for risks have been implemented to reflect changes in risk circumstances 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. A strategic scorecard is submitted to each meetings to ensure there is sufficient coverage of strategic risks in the course of the Governing Body's deliberations.

11.4 Internal Audit Review

The annual assessment of the University's risk management arrangements by the Internal Auditors. A review of the controls in place for the management of risk and application of the risk management framework across the University provided moderate/substantial assurance. The Internal Auditors identified three areas for improvement, including the need for better scrutiny of the suitability of actions and deadlines within local risk registers and a lack of training provided to local risk owners. In response to the audit, the University Secretary has undertaken a programme of visits to Faculties and Directorates to discuss local registers and help fully embed risk management locally. The Internal Auditors have acknowledged that a robust governance structure is in place to oversee the management of corporate risks.

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, deterioration in student experience, student recruitment, etc) 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.

Value for Money (VfM)

- 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

During the year the Committee and the Finance Committee discussed their respective roles relating to VfM. The Audit & Risk Committee's role centres around ensuring the adequacy of the controls for achieving VfM. It was identified that the

production of a specific VfM report had largely ceased at other University Alliance institutions. At its meeting in September 2020, the Committee agreed that a mapping of the information provided to the Governing Body and its committees relating to VfM should be undertaken to demonstrate how VfM was embedded, including information relating to those aspects of the OfS Regulatory Framework that are relevant to VfM.

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 which is regularly reviewed.

13.3 Value for Money Activity

The Committee monitors value for money activities across the institution and ensures that sufficient resources are available to deliver VfM efficiencies. A report on VfM activities in 2019/20 and planned initiatives for 2020/21 outlined a number of short-term cost saving initiatives, such as the roll-out of the new Integrated Facilities Management contract, and savings achieved through the work of the procurement function. The Committee has taken account of the work of the One University Project as an important aspect of VfM efficiency in terms of improved operational practices and more effective use of resources.

13.4 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. An internal audit review of the University's procurement and purchasing operations provided moderate assurance. The Internal Auditors had concluded that the procurement function operated effectively but in the course of their work had identified areas where the effectiveness of the procurement team and the University's ability to achieve VfM through its procurement processes could be improved. The Committee has been assured by management that issues relating to the lack of interface between internal systems and the manual administration of operations will be addressed through the implementation of a new financial system. Monthly monitoring of the progress of implementing further actions will be undertaken by the Chief Financial Officer. 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.

13.5 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 procurement and purchasing and the capital programme (which reviewed aspects of the projects on the Oracle HR and Payroll upgrade and the Dreadnought Building Refurbishment). As a result of its work, 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 around the management and quality of data provided to external agencies. The report provides comfort on the robustness of the systems and processes in place. The Committee was encouraged to note the University's current involvement in sector initiatives to improve data collection.

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 behalf of the Department of Education covering the Initial Teacher Training record provided moderate 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 five areas for improvement and commended the University on a number of areas of good practice.

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 improvements to the robustness of the University's IT security provision (March 2020 meeting).
 - re Information Technology Security and IT Information Risk (June 2020 meeting) at which the Committee was briefed on a planned IT security enhancement programme for the coming years to address the outcomes of benchmarking assessments of the University's IT security environment carried out in 2019.
 - re management of risks associated with increased cyber threat during covid-19 (September 2020 meeting).

- The findings of Internal Audit reviews on IT Resilience (which provided moderate/substantial assurance) and Social Engineering (providing moderate/substantial assurance). The Committee is aware that the current IT asset management arrangements require strengthening and is keeping a watching eye on the development of a project to bring about material improvement to these processes.
- The Committee is overseeing the development of metrics to benchmark the University's performance in IT security effectiveness.
- Monitoring of staff completion rates for mandatory training on data protection and IT security. Following the Committee's request for the introduction of sanctions for staff who failed to engage with the training requirement (ie withdrawal of IT access), completion by permanent staff remains high (c96%). The Committee's current focus is on improving completion rates of non-permanent staff. The introduction of a refresher training module for all staff in 2020/21 was welcomed by the Committee.

Governance and Other Work

16. As part of its role in ensuring robust internal controls are in place to secure legal and regulatory compliance, the Committee considered a self-assessment review of the University's compliance with the Office of Students 'Ongoing Conditions of Registration'. A further assessment of the University's compliance with the OfS Regulatory Framework undertaken by the Internal Auditors provided substantial assurance. Both assessments concluded that there were no obvious gaps in the University's compliance and sent a positive message regarding its adherence to the OfS's framework and public interest governance principles.
17. 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. As part of its remit for governance processes associated with the management of risk and ethical behaviour, the Committee has oversight of the University's Public Interest (Whistleblowing) Policy and Procedure. The Committee received an annual report on disclosures made during 2019/20 to date. Review of the 2016 Policy is planned for the 2020/21 academic year.

Opinion

18. 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 improvement in the levels of assurance for both the effectiveness of internal controls and design of controls for audited systems. Both the total number of audit recommendations and average number per audit had increased; however, many areas had been audited for the first time. 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.
19. 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 2020 is a reasonable summary of how the principles of corporate governance have been and continue to be applied in the University.

20. 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 attain 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.
21. 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.

Date: 24 November 2020