

Audit and Risk Committee Annual Report 2021/22

Introduction

The Audit and Risk Committee is required to submit an annual report to the Board of Governors. This is the Annual Report of the Audit and Risk Committee (the Committee) for the period 1 August 2021 to 31 July 2022. Any significant issues that have arisen since 1 August 2022 and up to the date of this report (10 November 2022) have also been included.

It is addressed to the Vice Chancellor and Chief Executive (as Accountable Officer) and to the Board of Governors.

It follows substantially the model Audit Committee Annual Report set out in the Committee of University Chairs' (CUC) *Handbook for Members of Audit Committees in Higher Education*.

In presenting this report, the Committee confirms that it has, as required by the Audit Code of Practice and the OfS terms and conditions for higher education funding, reviewed the adequacy and effectiveness of the University's arrangements for:

- risk management, control and governance;
- economy, efficiency and effectiveness (VfM); and
- the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company (SLC), Office for Students and other funding bodies.

The Committee's conclusions thereon are contained in this report.

1. Membership, meeting dates and attendance

- 1.1. Committee membership during the review period (1 August 2021 – 10 November 2022) is set out in Table 1. Membership was for the duration of the entire period, unless stated otherwise.
- 1.2. The Committee met on six occasions during the review period. Meeting dates and attendance are also summarised in Table 1.
- 1.3. The Internal and External Auditors are routinely invited to have private meetings with the Committee (without management present), and the Chair of the Committee contacts both Auditors before each meeting to offer an opportunity for private discussion.

Table 1: Committee membership, meeting dates and attendance (1 August 2021 to 10 November 2022)

Name	Status	Sept 21	Nov 21	Feb 22	May 22	Sept 22	Nov 22
Margaret Farragher	Independent Governor	✓	✗	✗	✓	n/a	n/a
Allan Boardman	Co-opted	✓	✓	✓	✓	✓	✓
Avnish Savjani	Co-opted	✗	✗	✓	✗	n/a	n/a
Shefaly Yogendra	Independent Governor	✓	✓	✓	✓	✓	✓
Baron Anyangwe	Independent Governor	✓	✓	✓	✓	✓	✓
Renarta Guy	Independent Governor	✓	✓	✓	✓	✗	✓
Margarita Damai	Student Representative	n/a	n/a	✓	✓	n/a	n/a
Bianca Jurcut	Student Representative	n/a	n/a	n/a	n/a	✓	✓
Rishi Trikha	Academic Governor	n/a	n/a	✓	✓	✓	✓
Valerie Leipheimer	Independent Governor	n/a	n/a	✓ (Board Apprentice)	n/a	✓	✗
Tracey Rob Perera	Co-opted	n/a	n/a	n/a	n/a	n/a	✓

*NB: n/a indicates that the individual was **not** a member at the time of the meeting.*

- 1.4. The following staff attended each meeting but were not members of the Committee:
Eugene McCrossan, Chief Operating Officer
Nicola Le Faou, University Secretary
- 1.5. Lynn Dobbs, Vice Chancellor attended the September, November, February and May meetings.
- 1.6. Throughout the year, Fleur Nieboer, Adam Bunting and Komal Taragi attended meetings on behalf of the University's appointed external auditors, KPMG. Internal Audit Services are undertaken by Deloitte, and meetings were attended by Morag Childs and Richard Neal.

- 1.7. The Director of ITS, the Director of Estates, and the Director of HR attended to present specific items throughout the meeting cycle, attending for those items only.

2. Terms of Reference and Plan of Work

- 2.1. The Audit and Risk Committee's Terms of Reference are consistent with the functions assigned to the Committee in the University's Scheme of Delegation, which was approved by the Board of Governors on 25 January 2022. They also follow substantially the model audit committee terms of reference set out in the Committee of University Chairs' Audit Code of Practice.
- 2.2. The Audit and Risk Committee's Terms of Reference are reviewed annually to ensure they remain fit for purpose, meet best practice and reflect the University's operating environment. The Committee received its Terms of Reference at its September 2022 meeting. Following the in depth review undertaken, which led to a change of Committee name from 'Audit Committee' to 'Audit and Risk Committee' in November 2021, a further review was not felt necessary in 2022.
- 2.3. The Committee receives an iterative workplan for its forthcoming meetings as a standing item at each meeting.

3. Internal Audit

Internal Audit Provider

- 3.1. The Committee relies on the work of the Internal Auditors in ascertaining the effectiveness of the University's internal controls. The University re-tendered internal audit services in Spring 2019, Deloitte was awarded the contract and appointed as the University's internal audit provider from 1 August 2019 for a period of 4 years. A one-year extension to the contract was reviewed and approved by the Audit and Risk Committee and Board of Governors in June 2022.

2021/22 Internal Audit Plan of Work

- 3.3 At its meeting on 19 May 2021 the Committee considered a report that presented Deloitte's Internal Audit Programme for 2021/22. The proposed FY 2021/22 internal audit plan was presented and agreed at the May 2021 meeting of the Audit Committee to include: Third Party Contract Management, Corporate Governance, Student Wellbeing, Data Governance and Cyber Security. The programme of internal audits had been allocated 110 days.
- 3.4 Table 2 summarises the 2021/22 audit work delivered by Deloitte and the headline findings:

Table 2: 2020/21 audit work delivered and summary of findings – Internal Audit Services delivered by Deloitte (for definitions of Report classification and recommendation priority please see appendix A)

Audit area	Report Classification	Recommendation priority			
		1	2	3	4
Corporate Governance	Substantial	-	2	2	-
Data Governance	Limited	-	4	-	-
Student Wellbeing	Moderate	-	3	3	-
Third Party Contract Management	Limited	-	6	-	-
Cyber Security	Limited	1	3	3	-

Deloitte Reports finalised during the FY 2021/22 Audit Year

Five Audits have been completed in FY 2021/22 with an audit opinion. From these there have been 27 observations raised with 63 actions. An observation may have more than one action.

Internal Audit Reports and Recommendation Follow-Up

3.5 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 to internal auditor recommendations. The number of recommendations in each category (rated 1-4) 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.

2020/21 & 2021/22 Internal Audit Opinion

3.6 The Committee received Deloitte's draft 2021/22 Internal Audit Annual Report at its meeting on 29 September 2022 and the final 2021/22 report at its meeting on 10 November 2022, where the Annual Report was approved for transmission to the Board. The Internal Audit Annual Report sets out the internal auditor's view on the adequacy and effectiveness of London Met's arrangements for risk management, internal controls and governance arrangements.

3.7 The Internal Audit Annual opinion submitted to the November 2022 meeting was as follows:

Subject to the scope of the work undertaken in the delivery of the agreed FY2021/22 internal audit plan, taking into account the agreed actions to rectify the control weaknesses identified and the implementation status thereof, we provide reasonable assurance that there is an efficient and effective system of risk management and governance. We provide limited assurance on the efficiency and effectiveness of the system of internal control for the year ending 31 August 2022.

The opinion is provided on the following basis:

- Corporate Governance – the internal audit assignment undertaken during the year reported a Substantial assurance. All 12 of the agreed actions have been closed, except for

one Priority 2 action that is in progress, relating to Environmental and Social Considerations in the University Strategy (this is not yet due).

- Risk Management – a Moderate assurance internal audit was delivered during FY2019/20 and all the agreed actions have been closed.
- The internal audit plan for FY2021/22 was risk-focussed and targeted known higher risk areas. As a result, a high proportion of the audits with an assurance assessment have been assigned a limited assurance rating. The internal audit plan for FY2022/23 proposes an increased focus on core cyclical areas, in addition to risk focussed areas, and therefore includes a higher number of audits that relate to core business-as-usual activities.
- Internal Control - Three of the five internal audits delivered during the year have had a Limited assurance rating: Data Governance, Third Party Contract Management and Cyber Security. The number of open and overdue actions has increased from five to 24 over the past year, with delays in implementation of up to 18 months.

FY 2022/23 Internal Audit Plan of work

- 3.2. At its 29 September 2022 meeting the Committee considered a report which presented a long-list of internal audits for consideration during FY 2022/23. The report was presented to assist in the prioritisation of coverage to reflect what the Audit and Risk Committee considered to be the priority risks for the next year's Internal Audit Plan. It was noted that the topics were based on the University's Risk Register and Deloitte's knowledge of risks within the Higher Education sector. The long list had also been subject to consideration by members of SLT. The Audit and Risk Committee noted the audit topics flagged as a priority, following discussion the Committee agreed to make amendments to the proposed plan to remove 'Development of the People Strategy' and to include 'Collaborative Partnerships'. The Plan was finalised as follows: Business Continuity Planning, UK Visas and Immigration, Student Complaints, Procurement and authority to procure, and Collaborative Partnerships.

Evaluation of Internal Audit service

- 3.9 In line with the best practice recommended in the CUC's Audit Committee Code of Practice, the Committee carried out its annual evaluation of the internal auditor's performance and effectiveness in February 2022. Questionnaires were completed by the Committee members and the executive. Findings did not raise any concerns.

3 External Audit

External Audit Provider

- 4.1 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. KPMG LLP was first appointed as the external auditor in May 2011. Following a re-tendering exercise in 2019, KPMG were reappointed as the University's

External Auditors commencing 1 August 2019. The External Auditor is re-appointed formally at the University's Annual General Meetings (AGMs), most recently at the AGM in January 2022. A one-year extension to the contract was reviewed and approved by the Audit and Risk Committee and Board of Governors in June 2022.

2021/22 Work by KPMG

- 4.2 At its May 2022 meeting, the Committee considered KPMG's draft 2021/22 external audit plan and strategy which set out audit approach, audit cycle and timeline, significant risks and areas of focus.
- 4.3 At their September 2022 meeting KPMG reported to the Committee that they had completed their planning and interim work which included updating their knowledge of the University's key financial systems and processes and liaising with management over financial forecasts and budgets for 2021/22. KPMG had substantively tested the Teachers' Pension Return, on which they expected to issue an unqualified conclusion by 30 September 2022. KPMG had prepared a risk register benchmarking report. They had issued their "prepared by management" working paper request for the year end audit, and commenced the planning of the work to be completed on your financial statements -their audit was due to commence on 26 September.
- 4.4 The year-end audit of the draft 2021/22 financial statements started on 26 September 2022. At the Committee's meeting in November 2022, KPMG presented its External Audit Management Letter and letter of representation. At that meeting the Committee also considered the audited financial statements for the year ended 31 July 2022 prior to their presentation to the Board. The University's Financial Statements will be signed with electronic signatures.
- 4.5 The Committee received KPMG's ISA 260 report (the management letter) at its November 2022 meeting. The Committee noted that subject to the Board's approval, we expect to be in a position to sign our audit opinion on the University's financial statements on 30 November 2022, provided that the outstanding matters following matters were satisfactorily resolved:
- i) Financial statement audit: Review of supporting evidence for tuition fees income, journals, pensions and bad debt provision; review of ongoing litigations;
 - ii) Use of funds: Review of procurement process;
 - iii) Going concern assessment; and
 - iv) Receipt of signed management representation letter following approval by the Board.

Evaluation of External Audit service

- 4.6 In line with the best practice recommended in the CUC's *Audit Committee Code of Practice*, the Committee carried out its annual evaluation of the external auditor's performance and effectiveness in February 2022. No significant concerns were raised.

5 High Risk Areas or Serious Incidents

- 5.1 The Data Governance, Cyber Security, and Third Party Contract Management Internal audit reviews had 'limited assurance' ratings; details of this are provided above (at section 3.4 onwards). It is important for Board to note that the Internal Audit topics had been selected on the basis of a risk-based plan.

6 Other Reports considered by the Committee during 2021/22

Annual Report and Accounts

- 6.1 At its meetings in November 2021 and November 2022, the Committee considered the Financial Statements for the preceding financial year and the external auditor's management letter, and recommended them to the Board of Governors for approval.

7 2020/21 and 2021/22 Annual Accountability Returns

- 7.1 The Committee considered and approved its draft Annual Report to the Board of Governors and the Vice Chancellor, which covered the previous financial year and any significant issues up to the signing of the report.
- 7.2 The Committee reviewed institutional documentation prepared as part of the University's regulatory obligations prior to its submission to the Board of Governors for approval. This included the reports prepared in relation to the Prevent statutory duty.

8 Fraud, Irregularity, Money-laundering, Bribery Act and Whistleblowing

- 8.1 The Committee considered the Annual Report on fraud, irregularity, money laundering and whistleblowing at its September 2022 meeting. The Committee noted that no incidents of alleged fraud were recorded in 2021/22, and no incidents had been reported under the Anti-Bribery and Corruption Policy and the Anti-Money Laundering Policy. In February/March 2022 disclosures were recorded under the Public Interest Disclosure Policy. The disclosures were investigated and not upheld.
- 8.2 A review of the Public Interest Disclosure ('whistleblowing') policy was submitted for consideration at the November 2022 Audit and Risk Committee meeting .
- 8.3 Proposed amendments to the institutional policies around anti-money laundering, counter-fraud, anti-bribery and whistleblowing were considered following periodic review.

Registration with the Office for Students'

- 8.4 At its February 2019 Committee considered a report which set out the measures the University was taking to improve and sustain performance on the metrics identified by the Office for Students. The Board had approved a proposal for the oversight of the implementation of the

OfS improvement plan and compliance with the university's Registration Condition B3A to become the responsibility of the Audit Committee ('Oversight Committee'). Audit Committee approved an amendment to its Terms of Reference to include its role in overseeing the improvement plan: 'To monitor the implementation of agreed audit-based recommendations, from whatever source. This included the oversight of the implementation of the approved OfS Improvement Plan and ensuring institutional compliance with Specific Ongoing Condition B3A'.

- 8.5 The Audit Committee considered an update on the OfS improvement plan at its meetings in November 2021 meetings. The monitoring requirement around this is currently suspended by the OfS, actions remain ongoing.

Annual Report on Declarations of Interest and Governors' Charity Trusteeships

- 8.6 The Committee received a report at its February 2022 meeting from the University Secretary on the University's processes for maintaining a register of interests for the Board, Board committees and the executive, and updating the online list of Governors' other charity trusteeships as required by the Office for Students.

Health and Safety

- 8.7 In 2021/22 the Audit and Risk Committee received quarterly reports on health and safety compliance, which included matters discussed at the Health and Safety Committee (a committee of management and trade union representatives, responsible for the implementation of the University's Health and Safety Strategy). The Audit and Risk Committee considered an annual Health and Safety report at its September 2022 meeting.

UKVI

- 8.8 The November 2021, February 2022 and November 2022 Audit and Risk Committee considered correspondence with UK Visas and Immigration and noted UKVI's decision that the University had met all of the core requirements to have passed the Basic Compliance Assessment (BCA) and had retained Tier 4 Sponsor status.

9 Risk Management, Control and Governance

- 9.1 The purpose of this Annual Report is to set out the Audit and Risk Committee's opinion on the adequacy and effectiveness of the University's arrangements in 2021/22 as detailed in the introduction to this report.
- 9.2 The Committee has concluded its opinion as a result of its own work during the year, as described above, and information and assurances it has received from other sources, in particular, the internal audit provider (Deloitte).

- 9.3 The internal auditor also provides its own opinion on the adequacy and effectiveness of the University's overall system of risk management, internal control and governance, through its Internal Audit Annual Report.
- 9.4 At the 29 September 2022 Audit Committee meeting, Deloitte presented its draft 2021/22 Internal Audit Annual Report. Only minor drafting amendments were made, which have been reflected in the final report, and approved by the Committee at its meeting on 10 November 2022.
- 9.5 Having completed its 2021/22 programme of internal audit work, Deloitte concluded that:

Subject to the scope of the work undertaken in the delivery of the agreed FY2021/22 internal audit plan, taking into account the agreed actions to rectify the control weaknesses identified and the implementation status thereof, we provide reasonable assurance that there is an efficient and effective system of risk management and governance. We provide limited assurance on the efficiency and effectiveness of the system of internal control for the year ending 31 August 2022.

The opinion is provided on the following basis:

- Corporate Governance – the internal audit assignment undertaken during the year reported a Substantial assurance. All 12 of the agreed actions have been closed, except for one Priority 2 action that is in progress, relating to Environmental and Social Considerations in the University Strategy (this is not yet due).
- Risk Management – a Moderate assurance internal audit was delivered during FY2019/20 and all the agreed actions have been closed.
- The internal audit plan for FY2021/22 was risk-focussed and targeted known higher risk areas. As a result, a high proportion of the audits with an assurance assessment have been assigned a limited assurance rating. The internal audit plan for FY2022/23 proposes an increased focus on core cyclical areas, in addition to risk focussed areas, and therefore includes a higher number of audits that relate to core business-as-usual activities.
- Internal Control - Three of the five internal audits delivered during the year have had a Limited assurance rating: Data Governance, Third Party Contract Management, and Cyber Security. The number of open and overdue actions has increased from five to 24 over the past year, with delays in implementation of up to 18 months.

Risk management

- 9.6 A substantial amount of Committee's business is devoted to risk management. The University's Risk Management Policy and Process includes a regular quarterly review of the University's Corporate Risk Register (CRR) by the executive, informed by discussion of the CRR at meetings of risk champions from the Schools and Professional Service Departments (PSDs). This integrates risk management with the strategic and business planning process and ensures that the CRR is regularly refreshed in light of progress in implementing the University's strategic objectives, and that resources are directed at the highest priority risks and are managed

efficiently and effectively. Updates on risk management activity are provided quarterly to the Board of Governors.

Board of Governors' 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 session on the Board's responsibility for risk and risk session on gap analysis was undertaken at the Board's Strategy day in January 2022.

External Audit Assessment of HE Risk: A presentation from KPMG was provided at the September 2022 meeting 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.

Cybersecurity: The Audit and Risk Committee considered quarterly reports throughout 2021/22.

The Audit and Risk Committee is satisfied that the University's risk management arrangements are effective.

Internal Control and Governance

9.7 The Committee considered the 2021/22 Statement of Corporate Governance Statement and Internal Control as part of the draft financial statements at its meeting on 10 November 2022 and considers them to be accurate. Deloitte's view on the University's operational control environment and governance arrangements for 2021/22 is underpinned by the audit reviews it had performed during the year.

9.8 Oversight of governance arrangements is primarily the responsibility of the University's Governance Committee. As part of its 2021/22 work programme, the Governance Committee considered a mapping exercise of the University's governance arrangements against the revised CUC's Higher Education Code of Governance issued in September 2020, which sets out principles and practices that higher education institutions ought to apply. As a result of this exercise, the Governance Committee was satisfied that there were no fundamental gaps in London Met's governance arrangements and that they measured up well against all the Code's elements. An externally led Governance Review will take place in winter 2022/23.

The Audit and Risk Committee is satisfied that the University's internal control and governance arrangements are effective.

Economy, Efficiency and Effectiveness (Value for Money).

9.9 Value for money is an integral objective of London Metropolitan University's systems of internal control. The Internal Audit annual report includes the Internal Auditor's opinion on the adequacy and effectiveness of the University's arrangements for risk management, internal control and governance. The Audit and Risk Committee considered a value for money updated at its September 2022 meeting, which is a quarterly item.

9.10 Economy, efficiency and effectiveness.

The Audit and Risk Committee is satisfied that the University management strives to achieve value for money in its activities.

There is good evidence of the continuing adoption and improvement of arrangements for promoting economy, efficiency and effectiveness throughout the University.

Management and Quality Assurance of Data

9.11 In 2021/22 the committee received reports on data quality management at its November 2021, February, May and September 2022 meetings, covering work to promote the accuracy and quality of data and the preparation of data returns, including the HESA and HESES returns, the National Student Survey, undergraduate completion rates, Key Information Sets data and the Graduate Outcomes return. The reports were provided by the Chief Operating Officer as the Chair of the Data Quality Management Programme Board.

9.12 During the review period, the Board approved the TRAC return for 2021/22 in accordance with the requirements of the Office for Students. The return was submitted to the Office for Students in accordance with the 31 March 2022 deadline.

The Audit Committee is satisfied about the adequacy and effectiveness of arrangements for the management and quality assurance of data submissions to HESA, Office for Students, the Student Loans Company and other funding bodies, including the timeliness and reliability of the University's data returns.

The Committee receives regular updates via data quality management reports from the executive and through the internal auditors as appropriate.

Key Performance Indicators for measuring the success of the Strategic Plan include improvements to financial and academic sustainability targets, which will be reliant on the accuracy and effective management of data.

Appendices

- i) Appendix A- Definitions of Audit Opinions and Recommendation Priorities