

Audit Committee Annual Report 2020/21

Introduction

The Audit Committee is required to submit an annual report to the Board and subsequently to the Office for Students (OfS). This is the Annual Report of the Audit Committee (the Committee) for the period 1 August 2020 to 31 July 2021. Any significant issues that have arisen since 1 August 2021 and up to the date of this report (11 November 2021) 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's Chairs' *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 2020 – 11 November 2021) 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.

Table 1: Committee membership, meeting dates and attendance (1 August 2019 to 12 November 2020)

Name	Status	Sept 20	Nov 20	Feb 21	May 21	Sept 21	Nov 21
Margaret Farragher	Independent Governor	n/a	n/a	n/a	n/a	✓	✗
Allan Boardman	Co-opted	n/a	n/a	✓	✓	✓	✓
Harini Iyengar	Independent Governor	✓	n/a	n/a	n/a	n/a	n/a
Cathy McCabe	Independent Governor	✗	✓	✓	✓	n/a	n/a
Avnish Savjani	Co-opted	✓	✓	✓	✓	✗	✗
Shefaly Yogendra	Independent Governor	✓	✓	✓	✓	✓	✓
Baron Anyangwe	Independent Governor	✓	✓	✓	✓	✓	✓
Renarta Guy	Independent Governor	n/a	✓	✗	✗	✓	✓

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

- 1.3. The following staff attended each meeting but were not members of the Committee:
Eugene McCrossan, Chief Operating Officer
Lynn Dobbs, Vice Chancellor & Chief Executive
Nicola Le Faou, University Secretary
- 1.4. Throughout the year, Fleur Nieboer, Adam Bunting, Edward Blake 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.

2. Terms of Reference and Plan of Work

- 2.1. The Audit 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 12 March 2020. They also follow substantially the model audit committee terms of reference set out in the Committee of University's Chairs' Audit Code of Practice.
- 2.2. The Audit 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 2020 meeting. At its September 2021 meeting

the Audit Committee considered an in-depth review of its Terms of Reference for recommendation to the Board of Governors the proposed amendments included a change of name to 'Audit and Risk Committee' and associated revisions to strengthen its remit, and the inclusion of a staff and a student member to the Committee's membership. The changes to the Terms of Reference were due to be submitted for approval at the Board's November 2021 meeting.

- 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 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.
- 3.2. At its meeting on 24 September 2020 the Committee considered Deloitte's Internal Audit Programme for 2020/21. The Audit Committee noted that given the challenges presented by the COVID-19 pandemic, the Internal Auditors had adapted their approach to the development of the annual internal audit plan for 2020/21. The plan was proposed as a rolling internal audit plan in two six month periods, to enable an agile response to the evolving risk landscape. The Audit Committee advised that issues related to 'going concern' concerns should be visited more regularly throughout the year, and requested that the plan be subject to revisions to include a focus on Health and Safety issues prior to approval. Additionally it was highlighted that the recent QAA review provided assurances in relation to student experience, and as such should be considered for removal from the work plan.
- 3.3. At the 12 November 2020 meeting the Audit Committee considered the Internal Audit plan for 2020/21 which had been updated to reflect the comments made at the September 2020 meeting. The Audit Committee noted the high-level plan and requested it be further updated and submitted to the next meeting with greater detail regarding scope, to enable the Committee to comment more meaningfully. The Audit Committee approved the following elements of the work plan for the first part of the year: Strategy Implementation, Budgetary Control and Risk Management. The remainder of the plan was not approved and would be subject to revision to facilitate the requested oversight of Health and Safety issues in the context of the pandemic.
- 3.4. At the 17 February 2020 Audit Committee meeting the Internal Auditors sought approval for the remaining three internal audits in the Internal Audit Plan. Further information on the scope had been requested at the November meeting prior to approval, which was provided at appendix 1 to the report. The Audit Committee noted the proposed audits for inclusion in the FY 20/21 Internal Audit Plan as follows: Budgetary Control and Financial Planning, Staff Support and Wellbeing and Cyber Security.

3.5. At its 23 September 2021 meeting the Committee considered a report which presented a long-list of internal audits for consideration during FY 2021/22. The report was presented to assist in the prioritisation of coverage to reflect what the Audit 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 Committee's view on the prioritisation of the longlist would be used to inform drafting of a rolling 2021/22 Internal Audit Plan for presentation to the September 2021 Audit Committee. The first six months of the plan would be presented for approval, the second six months of the plan would be developed with flexibility in the topic section to facilitate response to changing priorities the risk landscape. The Audit Committee noted the audit topics flagged as a priority by the internal auditors. In particular they welcomed coverage of: cyber security, student wellbeing/experience, Digital Strategy, Third Party Vendor management and corporate Governance.

2020/21 Internal Audit Plan of Work

3.3 The Committee reviewed and approved Deloitte's internal audit plan for 2020/21 on a rolling six month basis to facilitate an agile response to the changing risk landscape in the context of the ongoing pandemic. The draft plan was developed in consultation with the executive team, took into account regulatory requirements, the University's key risks and strategic objectives, and discussions at the Audit Committee. The programme was prepared on a rolling six month basis and would be reviewed regularly to enable agile response to changing priorities associated with the pandemic. The programme of internal audits had been allocated 115days (25 days allocated to management and follow-up).

3.4 Table 2 summarises the 2020/21 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	Budgeted audit days	Actual audit days	Report Classification	Rec Priority 1	Rec Priority 2	Rec Priority 3	Rec Priority 4
Total	90	89	-				
Governance (role of the Secretary)	5	5	n/a	-	-	-	-
Risk Management	15	13	Moderate	-	3	3	-
Health and Safety	20	21	Moderate	-	1	2	-
Budgetary Control and Financial Planning	15	15	Substantial	-	-	4	-
Staff Support and Wellbeing	15	15	Limited	-	3	3	-
Cyber Security	20	20	Moderate	1	2	7	-

Deloitte Reports finalised during the FY 2020/21 Audit Year

Five audits have been completed in FY 2020/21 with an audit opinion. An additional assignment (Governance- review of the University Secretary) was delivered in the form of a memo to the Board of Governors, with no audit opinion.

From the five audits undertaken during the year, 29 observations were made.

2019/20 & 2020/21 Internal Audit Opinion

3.6 The Committee received Deloitte's draft 2020/21 Internal Audit Annual Report at its meeting on 23 September 2021 and the final 2020/21 report at its meeting on 11 November 2021, 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 control and governance arrangements.

3.7 The Internal Audit Annual opinion submitted to the November 2021 meeting was as follows:

'Subject to the scope of the work described above, and taking into account the proposed actions by management to rectify the control weaknesses identified in our detailed reports, we provide reasonable assurance that LMU has an adequate and effective system of governance, risk management and internal control for the year ending 31st August 2021 , with the exception of one report, Staff Support and Wellbeing, which had an assurance rating of limited. Management actions have been agreed to address the recommendations and there will need to be focus on the implementation of these.

In addition, with respect to the implementation of agreed management actions, while progress has been made in many areas, there needs to be focus in implementing the Payroll outstanding actions.'

2020/21 Internal Audit Plan of Work

3.8 The Audit Committee considered and commented on the draft 2021/22 Internal Audit Plan of Work at its meeting in September 2021 prepared by the Internal Auditors, Deloitte. The Audit Committee approved the internal audit plan for FY2021/22 by circulation. The plan included; Third Party Contract Management, Corporate Governance, Student Wellbeing, Data Governance, Cyber-Phase 2.

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 2021. Questionnaires were completed by the Committee members and the executive. Findings did not raise any concerns.

4 External Audit

External Audit Provider

- 4.1 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 2021.

2020/21 Work by KPMG

- 4.2 At its May 2020 meeting, the Committee considered KPMG's draft 2019/20 external audit plan and strategy which set out the audit implications of COVID-19, audit approach, audit cycle and timeline, significant risks and areas of focus.
- 4.3 At their September 2021 meeting the Audit Committee received an oral update from the External Audit. KPMG Staff sickness had caused delays to the External Auditor's interim visit, consequently a written update had not been provided. It was confirmed that the delay was not expected to impact on the timing of the overall audit as the interim visit was now complete. The interim visit had not flagged any concerns, indicating that the control environment was operating well.
- 4.4 The year-end audit of the draft 2020/21 financial statements started in September 2021. At the November 2021 meeting the Audit Committee also considered the audited financial statements for the year ended 31 July 2021 prior to their presentation to the Board. The University's Financial Statements will be signed with electronic signatures.

The Committee received KPMG's ISA 260 report (the management letter) at its November 2021 meeting. The Committee was pleased to note that KPMG anticipated that subject to outstanding matters, the auditors expected to be in a position to sign the audit opinion on 26 November 2021.

Evaluation of External Audit service

- 4.5 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 2021. No significant concerns were raised.

5 High Risk Areas or Serious Incidents

- 5.1 One high risk area was reported to the September 2021 meeting of the Audit Committee, the high risk area was also highlighted to the Board at their October 2021 meeting.

6 Other Reports considered by the Committee during 2020/21

Annual Report and Accounts

6.1 At its meetings in November 2020 and November 2021, 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 2019/21 and 2020/21 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.

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 2021 meeting. The Committee noted that no incidents of alleged fraud were recorded in 2020/21, and no incidents had been reported under the Anti-Bribery and Corruption Policy and the Anti-Money Laundering Policy. Two disclosures were recorded under the Public Interest Disclosure Policy. The disclosures were investigated by the assessors in accordance with the policy and no further action was recommended.

8.2 A review of the Public Interest Disclosure ('whistleblowing') policy was submitted for approval at the September 2021 meeting and approved by the Board of Governors at their 7 October 2021 meeting.

Registration with the Office for Students'

8.3 At its February 2019 meeting the 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'). The 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'.

8.4 The Audit Committee considered an update on the OfS improvement plan at its meetings in September 2020, May 2021 and November 2021 meetings.

Annual Report on Declarations of Interest and Governors' Charity Trusteeships

8.5 The Committee received a report at its February 2021 meeting from the Interim Clerk to the Board 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

- 8.6 In 2020/21 the Audit 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 Committee considered an annual Health and Safety report at its September 2021 meeting.

UKVI

- 8.7 The November 2020 and 2021 Audit Committee meetings considered an update on the University's UK Visas and Immigration arrangements.

9 Risk Management, Control and Governance

- 9.1 The purpose of this Annual Report is to set out the Audit Committee's opinion on the adequacy and effectiveness of the University's arrangements in 2020/21 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 23 September 2021 Audit Committee meeting, Deloitte presented its draft 2020/21 Internal Audit Annual Report. Only minor drafting amendments were made, which were reflected in the final report, and approved by the Committee at its meeting on 11 November 2021.
- 9.5 Having completed its 2020/21 programme of internal audit work, Deloitte concluded that:
- 'Subject to the scope of the work described above, and taking into account the proposed actions by management to rectify the control weaknesses identified in our detailed reports, we provide reasonable assurance that LMU has an adequate and effective system of governance, risk management and internal control for the year ending 31st August 2021, with the exception of one report, Staff Support and Wellbeing, which had an assurance rating of limited. Management actions have been agreed to address the recommendations and there will need to be focus on the implementation of these.

In addition, with respect to the implementation of agreed management actions, while progress has been made in many areas, there needs to be focus in implementing the Payroll outstanding actions.'

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.
- 9.7 In October 2021 the Audit Committee undertook a deep dive review of risk management reviewing the Risk Management Policy, the University's approved Statement of Risk Appetite and with consideration to the University's risk culture. The Board of Governors was provided with an oral update at its October 2021 meeting regarding the output of the deep dive by the Chair of the Audit Committee.

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

Internal Control and Governance

- 9.8 The Committee considered the 2020/21 Statement of Corporate Governance Statement and Internal Control as part of the draft financial statements at its meeting on 11 November 2021 and considers them to be accurate. Deloitte's view on the University's operational control environment and governance arrangements for 2020/21 is underpinned by the audit reviews it had performed during the year.
- 9.9 Oversight of governance arrangements is primarily the responsibility of the University's Governance Committee. As part of its 2020/21 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.

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

Economy, Efficiency and Effectiveness (Value for Money).

9.10 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.

9.11 Economy, efficiency and effectiveness.

The Audit 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

9.12 In 2020/21 the committee received reports on data quality management at its May and November 2021 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.

9.13 During the review period, the Board approved the TRAC return for 2019/20 in accordance with the requirements of the Office for Students. The return was submitted to the Office for Students in accordance with the 31 January 2021 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

Appendix A– Definitions of Audit Opinions and Recommendation Priorities

Definitions of Audit Opinions

In order to assist management in using our reports Deloitte categorise our audit opinion according to their assessment of the controls in place and the level of compliance with these

Assurance Rating	Description
Substantial	The controls in place adequately address the significant risks to the successful achievement of objectives; and The controls tested are operating effectively.
Moderate	The controls in place do not adequately address one or more significant risks to the successful achievement of objectives; and / or One or more controls tested are not operating effectively, resulting in unnecessary exposure to risk.
Limited	The controls in place do not adequately address multiple significant risks to the successful achievement of objectives; and / or A number of controls tested are not operating effectively, resulting in exposure to a high level of risk.
None	The controls in place do not adequately address several significant risks leaving the system open to significant error or abuse; and / or The controls tested are wholly ineffective, resulting in an unacceptably high level of risk to the successful achievement of objectives.

Priority	Definition
1	Issues that are fundamental to the University for the attention of senior management and the audit committee.
2	Issues that are fundamental to the area subject to internal audit, for the attention of senior management and the audit committee.
3	Important issues to be addressed by management in their areas of responsibility.
4	Housekeeping issues or good practice suggestions.