

## **Audit and Risk Committee Annual Report 2023/24**

### **Introduction**

The Committee of University Chairs' Higher Education Audit Code of Practice (2020) requires the Audit and Risk Committee 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 2022 to 31 July 2024. Any significant issues that have arisen since 1 August 2024 and up to the date of this report (14 November 2024) 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 202 – 14 November 2024) 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 invited to have private meetings with the Committee annually (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 2023 to 14 November 2024)**

Name	Status	Sept 23	Nov 23	Feb 24	May 24	Sept 24	Nov 24
Allan Boardman	Co-opted	✓	✗	✗	✓	✗	✗
Baron Anyangwe	Independent Governor	✓	✓	✓	✗	✗	✗
Valerie Leipheimer	Independent Governor	✗	✗	✓	✗	✓	✗
Tracey Rob Perera	Co-opted	✓	✓	✓	✓	✗	✓
Usman Khan	Independent Governor	✓	✓	✓	✓	✓	✓
Rosemary Benson	Staff Governor	✓	✓	✓	✓	n/a	n/a
Andrea Stark	Independent Governor	✓	✓	✓	✗	✓	✓
Awesome Olasope	Student Governor	✓	✓	✗	✓	✓	✓
Claire Locke	Staff Governor	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  
Stephen Obuba, Associate Director of Financial Reporting.  
Nicola Le Faou, University Secretary
- 1.5. Throughout the year, Fleur Nieboer, Jessica Hargreaves, Komal Taragi, Garima Bajaj and Loyiso Xego 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, Richard Neal and Megan Rickard.
- 1.6. The Director of ITS, Head of Cyber Security and Director of Estates 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 23 November 2023. 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 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 2024 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 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 two year extension to the contract was reviewed and approved by the Audit and Risk Committee and Board of Governors in February/March 2023.
- 3.2. Following a procurement exercise, at their September 2024 meeting, the Audit and Risk Committee considered a report that presented a proposal to approve the award of Internal Audit contract to UNIAC, for an initial period of three years. The award of the contract was approved by the Board of Governors at their meeting on 3<sup>rd</sup> October 2024.

#### *2023/24 Internal Audit Plan of Work*

- 3.3 At its meeting on 21 September 2023 the Committee considered a report that presented Deloitte's Internal Audit Programme for 2023/24 The proposed FY 2023/24 internal audit plan was presented and agreed to include: Identity and Access Management, Digital Strategy delivery, Estates Capital Projects, Transparent Approach to Costing (TRAC), Data Quality-HESES return, Course Performance monitoring.
- 3.4 Table 2 summarises the 2023/24 audit work delivered by Deloitte:

**Table 2: 2023/24 audit work delivered – Internal Audit Services delivered by Deloitte (for definitions of Report classification and recommendation priority please see appendix A)**

Audit area	Report Classification	Observation priority			
Estates Capital Projects	Moderate	-	2	2	-

Audit area	Report Classification	Observation priority			
Transparent Approach to Costing (TRAC)	Moderate	-	2	2	-
Course Performance Monitoring	Moderate	-	2	1	-
Digital Strategy Delivery	Moderate	-	3	1	1
Data Quality – HESES return	Moderate	-	3	1	1
Identity and Access Management	Limited	-	4	-	-

### *Deloitte Reports finalised during the FY 2023/24 Audit Year*

*Six Audits have been completed in FY 2023/24 with an audit opinion. From these there have been 25 observations raised with 49 actions. An observation may have more than one action.*

### Internal Audit Reports and Recommendation Follow-Up

- 3.5 The Committee takes a focused 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.

### *2023/24 Internal Audit Opinion*

- 3.6 The Committee received Deloitte's draft 2023/24 Internal Audit Annual Report at its meeting on 26 September 2024 and the final 2023/24 report at its meeting on 14 November 2024, 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 meeting was as follows:

*Subject to the scope of the work undertaken in the delivery of the agreed FY2023/24 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, governance, and internal control, except for in the area of Identity and Access management. This is on the basis that:*

*- Five of the six internal audits have had a Moderate assurance rating.*

*- There has been continued focus during the year to implement agreed internal audit actions. At 12 September 2024, there were 34 open actions of which one was overdue; the figure in October 2023 was 41 open actions with one overdue. Therefore, there is an improvement in implementing the agreed actions in a timely manner.*

*- One area of IT controls, Identity and Access Management, was provided a Limited Assurance rating. We will monitor the implementation of the agreed actions, none of which are overdue.*

- 3.8 It was noted that during the year the following themes had emerged from Internal Audit work: Guidance and documentation, project planning and delivery capacity and capability. In discussion the ARC requested that consideration be given to how best to prioritise documentation and guidance, given its identification as a key trend. The Audit and Risk Committee noted the significant improvement in closure of open actions when compared with the prior year.

#### **2024/25 Internal Audit Plan of work**

- 3.9 At its 15<sup>th</sup> May 2024 meeting the Committee considered a report that presented the draft internal audit plan for 2024/25. The planning approach had taken the following into account: the University's Corporate Risk Register, the Internal Audit Process Universe and coverage over the last five years. The programme had also been subject to review by the Senior Leadership Team. The Plan was finalised as follows: Health and Safety, Payroll, Agents and International Recruitment, Malware, Procure to Pay and Academic Promotions. 109 audit days had been allocated to the delivery of the internal audit plan, with a further 15 days allocated for follow-up and 20 days for contract management.

#### ***Evaluation of Internal Audit service***

- 3.10 The Committee confirmed its comfort with the performance and effectiveness at its 24<sup>th</sup> February 2024 meeting in support of its compliance with the recommendations of the CUC Audit Code of Practice.

### **4 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 on an annual basis, most recently at the AGM in January 2024. A one year extension to the contract was reviewed and approved by the Audit and Risk Committee and Board of Governors in March 2023. Following a procurement exercise, at their September 2024 meeting, the Audit and Risk Committee considered a report that presented a proposal to approve the award of the External Audit Contract to KPMG, for an initial period of three years. The award of the contract was approved by the Board of Governors at their meeting on 3<sup>rd</sup> October 2024.

## *2024/25 Work by KPMG*

- 4.1 At its May 2024 meeting, the Committee considered KPMG's draft 2023/24 external audit plan and strategy which set out the audit approach, audit cycle and timeline, significant risks and areas of focus.
- 4.2 At their September 2023 meeting KPMG reported to the Committee that since the last meeting of the Audit and Risk Committee in May 2023 they had:
- Completed the risk assessment and planning audit work which included conducting walkthroughs of the relevant financial processes for their audit of the University's financial statements for the year ended 31 July 2024;
  - Followed up on the prior year recommendations;
  - Issued their 'prepared by management' working paper request for the year end audit;
  - Confirmed the arrangements for their year end fieldwork. They were due to commence the audit on 23 September 2024 running through to 1 November 2024; and;
  - Held a year end kick off meeting with management to discuss and prepare for the year end audit.
- 4.3 At their November 2024 meeting committee received the External auditor's draft report on the University's financial statements for the year ended 31 July 2024. The committee noted that subject to Board's approval, the External Auditors expected to be in a position to sign their audit opinion on the Board's approval of the financial statements and the auditor's representation letter on 28 November. At that meeting the Committee also considered the audited financial statements for the year ended 31 July 2024 prior to their presentation to the Board. The University's Financial Statements will be signed with electronic signatures.

### *Evaluation of External Audit service*

- 4.4 In line with the best practice recommended in the CUC's *Audit Committee Code of Practice*, the Committee considered its comfort with the external auditor's performance and effectiveness at its February 2024 meeting.

## **5 High Risk Areas or Serious Incidents**

- 5.1 The Identity and Access Management Internal audit review had a '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 2023/24**

### *6.1 Annual Report and Accounts*

At its meetings in November 2023 and November 2024, 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 2022/23 and 2023/24 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 2024 meeting.
- 8.2 In 2023/24 two disclosures under the Public Interest Disclosure policy were made, one was later withdrawn before a meeting with the individual making the disclosure could be made. Another was redirected to the complaints/ grievance procedure as it did not meet the whistleblowing criteria. No incidents of alleged fraud were recorded in 2023/24 and no incidents have been reported under the Anti- Bribery and Corruption Policy and the Anti-Money Laundering Policy.

### *Registration with the Office for Students'*

- 8.3 As part of its role in ensuring robust internal controls are in place to secure legal and regulatory compliance, the Board annually considers an assessment from the University Secretary of the University's compliance with the Office for Students' Ongoing Conditions of Registration. The report was last considered by circulation by the Board in March 2024, and received formally at its 20<sup>th</sup> June 2024 meeting.

### *Annual Report on Declarations of Interest and Governors' Charity Trusteeships*

- 8.4 The Committee received a report at its February 2024 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*

- 8.5 In 2023/24 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 2024 meeting.

### *UKVI*

- 8.6 The November 2023, and November 2024 the 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. The Audit and Risk Committee received an internal audit report on UKVI in September 2023, the report was not allocated an assurance rating. The objective was to undertake an agreed upon set of tests to determine compliance with the requirements of sponsorship of undergraduate and postgraduate student visas, including arrival checks, academic engagement monitoring and reporting. The committee received an oral update on implementation of agreed actions in November 2023.

## 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 2023/24 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 26 September 2024 Audit Committee meeting, Deloitte presented its draft 2023/24 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 14 November 2024.
- 9.5 Having completed its 2023/24 programme of internal audit work, Deloitte concluded that:

*Subject to the scope of the work undertaken in the delivery of the agreed FY2023/24 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, governance, and internal control, except for in the area of Identity and Access management. This is on the basis that:*

*- Five of the six internal audits have had a Moderate assurance rating.*

*- There has been continued focus during the year to implement agreed internal audit actions. At 12 September 2024, there were 34 open actions of which one was overdue; the figure in October 2023 was 41 open actions with one overdue. Therefore, there is an improvement in implementing*



*the agreed actions in a timely manner.*

*- One area of IT controls, Identity and Access Management, was provided a Limited Assurance rating. We will monitor the implementation of the agreed actions, none of which are overdue.*

### *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.

External Audit Assessment of HE Risk: KPMG provided the 'Higher Education policy landscape-General Election Special' report to the September 2023 meeting. The briefing was designed to offer a digested summary of policies and their implications with particular focus on boards of governors and university stakeholders who do not work full time in Higher Education.

Cybersecurity: The Audit and Risk Committee considered quarterly reports throughout 2023/24.

**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 2023/24 Statement of Corporate Governance Statement and Internal Control as part of the draft financial statements at its meeting on 14 November 2024 and considers them to be accurate. Deloitte's view on the University's operational control environment and governance arrangements for 2023/24 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 2023/24 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 took place in 2022/23. In presenting the recommendations Advance HE conveyed positive findings and emphasized that the University was well-placed in respect of its governance and compliance arrangements. Notably, the diversity of the Board was acknowledged as exceptional within the sector. The recommendations build upon existing mechanisms already in place or previously identified by the University for implementation, indicating that progress is already underway. The Board of Governors entrusted the Governance Committee with the responsibility of monitoring the implementation of the recommendations (all of which were accepted by the Board) and suggestions going forward. At their meeting in March 2024, the Governance Committee confirmed that all agreed actions identified as part of the Governance Review had been satisfactorily implemented.
- 9.9 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 2024 is a reasonable summary of how the principles of corporate governance have been and continue to be applied in the University.

**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).*

- 9.10 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. The Audit and Risk Committee considered a value for money update at its February 2024 meeting.
- 9.11 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*

- 9.12 In 2023/24 the committee received reports on data quality management at its November 2023, February, May and November 2023 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 At their September 2023 meeting, the Audit and Risk Committee received the Internal Audit report, Data Quality- HESES return, which had been allocated a moderate assurance rating.
- 9.14 During the review period, the Finance and Resources Committee confirmed the process for the TRAC return 2023/24 was inline with the requirements of the Office for Students. The return was submitted to the Office for Students in accordance with the 31 January 2024 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 Internal Audit Opinions and Recommendation Priorities

# Appendix A– Definitions of Internal 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
<b>Substantial</b>	The controls in place adequately address the significant risks to the successful achievement of objectives; and The controls tested are operating effectively.
<b>Moderate</b>	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.
<b>Limited</b>	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.
<b>None</b>	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
<b>1</b>	Issues that are fundamental to the University for the attention of senior management and the audit committee.
<b>2</b>	Issues that are fundamental to the area subject to internal audit, for the attention of senior management and the audit committee.
<b>3</b>	Important issues to be addressed by management in their areas of responsibility.
<b>4</b>	Housekeeping issues or good practice suggestions.