

## **Audit and Risk Committee Annual Report 2022/23**

### **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 2023. Any significant issues that have arisen since 1 August 2023 and up to the date of this report (9 November 2023) 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 2022 – 9 November 2023) 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 2022 to 9 November 2023)**

Name	Status	Sept 22	Nov 22	Feb 23	May 23	Sept 23	Nov 23
Allan Boardman	Co-opted	✓	✓	✓	✓	✓	✗
Shefaly Yogendra	Independent Governor	✓	✓	✓	✓	n/a	n/a
Baron Anyangwe	Independent Governor	✓	✓	✗	✓	✓	✓
Renarta Guy	Independent Governor	✗	✓	✗	✗	n/a	n/a
Bianca Jurcut	Student Representative	✓	✓	✓	✓	n/a	n/a
Rishi Trikha	Academic Governor	✗	✓	v	✓	n/a	n/a
Valerie Leipheimer	Independent Governor	✓	✗	✓	✓	✗	✗
Tracey Rob Perera	Co-opted	n/a	✓	✓	✓	✓	✓
Usman Khan	Independent Governor	n/a	n/a	n/a	n/a	✓	✓
Rosemary Benson	Staff Governor	n/a	n/a	n/a	n/a	✓	✓
Andrea Stark	Independent Governor	n/a	n/a	n/a	n/a	✓	✓
Awesome Olasope	Student Governor	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. Throughout the year, Fleur Nieboer, Komal Taragi 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 and Richard Neal.

- 1.6. The Director of ITS 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 25 January 2022. 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 2023 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.

### *2022/23 Internal Audit Plan of Work*

- 3.3 At its meeting on 29 September 2022 the Committee considered a report that presented Deloitte's Internal Audit Programme for 2022/23. The proposed FY 2022/23 internal audit plan was presented and agreed to include: Collaborative Partnerships, Business Continuity, UK Visas and Immigration, Student Complaints, Staff Complaints and Procurement. The programme of internal audits had been allocated 111 days.
- 3.4 Table 2 summarises the 2022/23 audit work delivered by Deloitte and the headline findings:

**Table 2: 2022/23 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
Collaborative Partnerships	Limited	1	2	4	-
Business Continuity	Limited	1	3	2	-
Procurement	Moderate	1	-	2	-
Student Complaints	Moderate	-	2	2	-
Staff Complaints	Limited	1	1	2	-
UKVI	UNRATED	-	-	-	-

*Deloitte Reports finalised during the FY 2022/23 Audit Year*

*Five Audits have been completed in FY 2022/23 with an audit opinion. From these there have been 24 observations raised with 58 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.

*2022/23 Internal Audit Opinion*

3.6 The Committee received Deloitte’s draft 2022/23 Internal Audit Annual Report at its meeting on 21 September 2023 and the final 2022/23 report at its meeting on 9 November 2023, 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 FY 2022/23 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 effectiveness of the system of internal control for FY 2022/23. This is on the basis that:*

- *Three of the six internal audits have had a Limited assurance rating: Business Continuity Management, Collaborative Partnerships and Staff Complaints.*
- *One internal audit, UKVI did not have an assurance rating as the objective was to undertake an agreed upon set of tests to determine compliance with the requirements for sponsorship of undergraduate and postgraduate student visas. Of the nine audit tests performed, 12 exceptions were identified.*
- *There has been continued focus during the year to implement agreed internal audit actions. At 26 October 2023, there were 41 open actions of which 22 were overdue; the figure in October 2022 was 52 open actions, of which 15 were overdue. Therefore, there needs to be continued focus on implementing the agreed actions in a timely manner to reduce the number of overdue actions.*

3.8 On the basis of the above the Audit and Risk Committee agreed that it was able to provide the Board with reasonable assurances on the systems of internal control, as the Internal Audit plan had been tail-end loaded. The final reports of much of the Audit work in 2022/23 had been considered at the September 2023 meeting, which had reduced the amount of time available for management implementation of actions. It was noted that at the time of the November 2023 meeting Internal Audit had been provided with evidence regarding the closure of actions, however it had not been reviewed ahead of that meeting. The management of the audit process itself will be amended to reduce the possibility of such situations arising in the future

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

3.9 At its 21 September 2023 meeting the Committee considered a report that presented the draft internal audit plan for 2023/24. 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 four years as well as the external and internal environment, including the implementation of the Digital Strategy and Capital Estates programme. The programme had also been subject to review by the Senior Leadership Team. The Plan was finalised as follows: Identity and Access Management, Digital Strategy, Estates Capital Projects, Transparent Approach to Costing, Data HESES Return. The plan had also included 'Student Assessment' as one of the proposed projects. Discussions had taken place at a recent meeting of the Senior Leadership Team at which the draft plan was considered. Given that the Pro Vice Chancellor Student Success and Pro Vice Chancellor Student Experience had both recently commenced in post, and were expected to develop a Student Success Strategy and Teaching and Learning Strategy, feedback had been that it was too early for the audit work in this area to take place. Suggestions on an appropriate area for review was under consideration. The Audit and Risk Committee would return to approval of an alternative project in the coming months.

#### *Evaluation of Internal Audit service*

3.10 The Committee confirmed its comfort with the performance and effectiveness as part of the contract extension process 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 at the University's Annual General Meetings (AGMs), most recently at the AGM in January 2023. A one year extension to the contract was reviewed and approved by the Audit and Risk Committee and Board of Governors in March 2023.

## *2022/23 Work by KPMG*

- 4.2 At its May 2023 meeting, the Committee considered KPMG's draft 2022/23 external audit plan and strategy which set out the audit approach, audit cycle and timeline, significant risks and areas of focus.
- 4.3 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:

- Commenced the fieldwork for the 'agreed upon procedures' engagement in relation to the University's Teachers' Pension Return for 2022/23. This would be completed and submitted ahead of the 30 September 2023 deadline;
- Undertaken the risk assessment and planning audit work which included conducting walkthroughs of the relevant financial processes and started the final fieldwork phase for our audit of the University's financial statements for the year ended 31 July 2023, and;
- Held an introductory meeting with the Chair of the Audit and Risk Committee.

The Audit and Risk Committee noted the 'Higher Education update for Audit Committees and Governing Bodies' document included as part of the agenda document pack.

Ahead of the November Audit and Risk Committee the External Auditors would:

- Hold meetings with senior officers as part of the final audit fieldwork phase;
- Complete the audit of the University's financial statements and work in respect of the University's Use of Funds, and; - issue their year end ISA260 for the financial year ended 31 July 2023.

- 4.4 The committee received the External auditor's draft report on the University's financial statements for the year ended 31 July 2023. The committee noted that subject to Board's approval, the External Auditors expect 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 23 November provided the following outstanding matters were satisfactorily resolved:

- Financial statements audit: Pensions; cut off testing review of ongoing litigations
- Use of funds: review of procurement process

- Going concern assessment
- Management representation letter
- Final ISA 260 report
- Draft annual report to KPMG
- Finalise audit report and sign

4.5 At that meeting the Committee also considered the audited financial statements for the year ended 31 July 2023 prior to their presentation to the Board. The University's Financial Statements will be signed with electronic signatures.

#### *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 considered its comfort with the external auditor's performance and effectiveness as part of the reappointment exercise.

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

5.1 The Collaborative Partnerships, Business Continuity and Staff Complaints 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 2022/23**

### *Annual Report and Accounts*

6.1 At its meetings in November 2022 and November 2023, 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 2021/22 and 2022/23 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 2023 meeting.

8.2 No incidents had been reported under the Anti-bribery and corruption policy, anti-money laundering policy and Public Interest Disclosure policies in year. There had been one report of potential fraud received in November 2022. The SLT had kept the Board of Governors apprised of the progress of the matter throughout the year. There had been one whistleblowing report, the individual making the report had been signposted to other University policies.

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

8.4 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 the Board in March 2023.

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

8.5 The Committee received a report at its February 2023 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*

8.6 In 2022/23 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 2023 meeting.

### *UKVI*

8.7 The November 2021, February 2022, November 2022 and November 2023 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.

## **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 2022/23 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 21 September 2023 Audit Committee meeting, Deloitte presented its draft 2022/23 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 9 November 2023.
- 9.5 Having completed its 2022/23 programme of internal audit work, Deloitte concluded that:

*Subject to the scope of the work undertaken in the delivery of the agreed FY 2022/23 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 effectiveness of the system of internal control for FY 2022/23. This is on the basis that:*

- *Three of the six internal audits have had a Limited assurance rating: Business Continuity Management, Collaborative Partnerships and Staff Complaints.*
- *One internal audit, UKVI did not have an assurance rating as the objective was to undertake an agreed upon set of tests to determine compliance with the requirements for sponsorship of undergraduate and postgraduate student visas. Of the nine audit tests performed, 12 exceptions were identified.*
- *There has been continued focus during the year to implement agreed internal audit actions. At 26 October 2023, there were 41 open actions of which 22 were overdue; the figure in October 2022 was 52 open actions, of which 15 were overdue. Therefore, there needs to be continued focus on implementing the agreed actions in a timely manner to reduce the number of overdue 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. 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- update for Audit Committees and Governing Bodies' report to the September 2023 meeting. The report included details of how Audit Committees and Governing bodies can stay informed on developments across the sector, issues to be kept in mind throughout 2023 and an update on financial reporting, audit and regulatory compliance.

Cybersecurity: The Audit and Risk Committee considered quarterly reports throughout 2022/23.

The Committee recommended that a joint Risk Management session between the Board and Audit and Risk Committee be scheduled for 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 2022/23 Statement of Corporate Governance Statement and Internal Control as part of the draft financial statements at its meeting on 9 November 2023 and considers them to be accurate. Deloitte's view on the University's operational control environment and governance arrangements for 2022/23 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 2022/23 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.
- 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 2023 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 September 2023 meeting, which is a quarterly item.

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 2022/23 the committee received reports on data quality management at its November 2022, February, May and September 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 During the review period, the Finance and Resources Committee confirmed the process for the TRAC return 2022/23 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 2023 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