

the

GOVERNING BODY

**2023/2024 Audit and Risk Committee Annual Report
to the University Governing Body and the Vice-Chancellor, Professor Jane Harrington**

Introduction

1. The Committee of University Chairs' Higher Education Audit Committees Code of Practice (2020) requires the Audit & Risk Committee to report to the Governing Body and Head of Institution on the discharge of its responsibilities during the reporting period. This report covers the period 1 August 2023 to November 2024 and contains the following appendices:

Annex 1	Internal Auditors' Annual Report 2023-2024
Annex 2	External Auditors' Report to the ARC on the Audit for the Year ended 31 July 2024 (ISA (UK) 260)

Operation of Meetings and Terms of Reference

2. The Committee met seven times during the period August 2023 to November 2024.

The Internal and External Auditors are able to meet privately with the Committee (without management present) before each meeting, and otherwise do so routinely once each year. The External Auditors met with the Committee in November 2023 and November 2024. The Internal Auditors met privately with Committee in June 2024.

3. In the interests of good practice, the Committee regularly reviews its Terms of Reference. Following this year's review, there were no substantive changes, with some minor clarifications made to the membership. These revised Terms of Reference received Governing Body approval on 25 June 2024.

Internal Audit

4. The Committee draws assurance from the work of the Internal Auditors in monitoring the effectiveness of the University's internal controls. KPMG LLP was originally appointed to provide internal audit services to the University in August 2022 for a period of three years. At its meeting in June 2024, the Committee agreed to extend KPMG's contract for a further two years period to August 2027. The Committee received assurance through the following:

4.1 Internal Audit Strategy and Plan for 2023-2024

The 2023-24 plan included a total of 8 audit reviews with a mixture of compliance, strategic and operational areas. These were completed in-year. In addition, KPMG were commissioned to undertake an additional piece of work outside the internal audit programme relating to a cyber security maturity assessment. This was performed by a separate team within KPMG after confirmation that the internal audit function's independence was not affected and was approved by the

Committee. KPMG were also approved to conduct a piece of tax advisory work outside the internal audit programme which is ongoing.

4.2 Internal Audit Reports and Recommendation Follow-Up

The Committee takes a focussed approach in overseeing the work of the Internal Auditors. It receives a summary of the internal audit reports and outcomes and concentrates on considering the detailed findings and management responses for 'high' and 'medium' priority recommendations. The number of recommendations in each category ('high', 'medium' and 'low') are reported to the Committee. The Committee requires the Internal Auditors to monitor progress with the implementation of recommendations by officers and report to each meeting. Where relevant, in keeping with the Committee's instruction, KPMG has set separate implementation dates for multi-part recommendations and milestone targets for long-dated actions, to help monitoring of progress.

At the Committee's request, the Internal Auditors undertook a thematic analysis of internal audit recommendations raised in 2022/23 and 2023/24. There were 89 recommendations raised over this two-year period and a total of six high, 38 medium and 45 low rated recommendations had been raised. The analysis identified a number of common areas around governance, compliance and reporting, people, and systems and data. The Committee found the analysis useful in determining areas of future focus such as being able to demonstrate robust audit trails for compliance with requirements. The Committee was pleased to note that timely implementation of recommendations had continued over the course of this reporting period and no actions had remained overdue at year end.

4.3 Internal Audit Annual Report 2023-2024 and Opinion (Annex 1)

The annual report summarises the assurances that the Committee has received from the work undertaken by the Internal Auditors during the year. The reviews inform the Committee's opinion on the adequacy and effectiveness of the University's arrangements for risk management, control and governance, sustainability, economy, efficiency and effectiveness (value for money) and the quality of data submitted to regulatory bodies. The audit reviews carried out to provide this assurance were:

- Risk Management (review on operational risk management and business continuity)
- Control and Governance (review on academic quality assurance)
- Financial Sustainability (review on financial controls, specifically student loan income)
- Quality of Data (review on sustainability reporting and Knowledge Exchange Framework (HE-BCI return))
- Economy, Efficiency and Effectiveness (review on student complaints and staff health and wellbeing (occupational health)).

In respect of the audits undertaken to examine the design and effectiveness of internal controls, all of the areas reviewed received "significant assurance with minor improvement opportunities". This represented an overall improvement on the previous reporting year's results where one report had received "partial assurance".

5. The Committee is mindful of the key matters identified by the Internal Auditors from their findings and has worked to ensure that findings are addressed by management in a timely manner.

External Audit

6. The Committee draws assurance from the work of the External Auditors in meeting its responsibility for reviewing and recommending to the Governing Body the annual consolidated financial statements of the University. This is the sixth financial audit

undertaken by the University's External Auditors, PricewaterhouseCoopers LLP (PwC). A tender exercise to select a new external audit provider to commence in August 2025 was underway at the time of writing.

7. During the reporting period, the Committee has undertaken detailed scrutiny of the report and financial statements for the University for the years ended 31 July 2023 and 31 July 2024. In both cases, the Committee's consideration was informed by a number of accompanying documents, including the External Auditors' Report on the Audits (ISA (UK) 260) (the report for the year ended 31 July 2024 is appended at Annex 3); a detailed report from the Chief Financial Officer on the results for the year, including key accounting judgements and estimates; and a report from the Chief Financial Officer which outlined the work to confirm that preparation of the accounts on a going concern basis was appropriate.
8. In considering the financial statements for the year ended 31 July 2024, the Committee noted the increase in the year-end operating surplus, reflecting higher tuition fee and investment income. However, the cost environment and other sector challenges meant that stringent financial management would continue to be needed. PwC indicated that, subject to verification of a few outstanding issues, an unqualified opinion would be issued. Subject to final amendments, the Committee approved the financial statements for the year ended 31 July 2024 for recommendation to the meeting of the Governing Body on 25 November 2024.

Risk Management

9. The Committee remains mindful of the importance of risk management in the University's governance arrangements. Overall accountability and responsibility for the management of risks rests with the Governing Body which delegates the responsibility for keeping the effectiveness of risk management under review to the Audit & Risk Committee. At an operational level, the University Secretary is the executive lead for risk management across the University. The Committee received their assurance through the following:

9.1 Risk Management Framework

Periodic review of the Risk Management Framework, including the Risk Management Policy, Risk Management Guide and Risk Appetite Statement. Review of the Risk Appetite Statement resulted in minor textual changes relating to the risk on financial sustainability. These received Governing Body approval at the April 2024 meeting. The 2024 review of the Policy and Guide led to minor amendments to take account of the Internal Auditor's review of operational risk management, whereby the quarterly review of Faculty/Directorate risk registers by the Professional Services Group (PSG) (chaired by the Chief Operating Officer) has been replaced with a programme of 'deep dives' by PSG during which emerging risks are also considered. The revised Risk Management Policy and Risk Management Guide were approved by the Governing Body at its June 2024 meeting.

9.2 Strategic Risk Register

The regular assessment of risk which is carried out through a cycle of review. The Committee routinely receives a risk management report and the updated Strategic Risk Register (SRR) on a quarterly basis. The SRR contains risks which are clearly aligned to the priorities in the strategic plan and to the University's agreed Strategic KPIs. The current SRR contains nine strategic risks and four compliance risks. There is an established process to ensure the regular review of risks. Each strategic risk has a sponsor and an operational lead who meet with the Vice-Chancellor and University Secretary every six months to review risks and their mitigation. In between these deep dives, risk owners and operational leads undertake further reviews via correspondence with the University Secretary. The risks and risk scores are reviewed to reflect changes in risks, the mitigating controls and actions for risks and whether residual scores are above the agreed

threshold of risk tolerance. Revisions to the SRR are approved by the Vice-Chancellor's Executive prior to submission to the Committee.

9.3 Governing Body Consideration of Risk

The Governing Body is actively involved in the management and control of risk. It regularly considers strategic risks through a Strategic Risk Report and risk dashboard derived from the SRR, after the SRR has been considered by the Committee.

9.4 Internal Audit Review

The assessment of the University's risk management arrangements by the Internal Auditors. During the period, KPMG undertook a review of operational risk management with a specific focus on the processes around Faculty and Directorate level risk registers. The audit received an overall rating of 'significant assurance with minor improvement opportunities' with one medium and two low priority recommendations raised. The Internal Auditors concluded that there was a robust and well-designed process for identifying, recording and reviewing operational risk registers and that the processes and roles and responsibilities of stakeholders were clearly defined in the Policy and Guidance. As part of the review, the Internal Auditors undertook a survey using their soft controls methodology to assess the culture of compliance around operational risk management, and were satisfied that staff within Faculties and Directorates understood the importance of effective operational risk management and were fully supportive of the University's commitment to it.

10. On the basis of the Internal Auditors' assessment and the good practice identified during the course of their work, the Committee remains satisfied that the University's internal processes are well placed to foster a culture of risk management and that an appropriate framework exists within which to assess, evaluate and take action to mitigate risk.

<i>Value for Money (VfM) and Sustainability</i>
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11. The Audit & Risk Committee is required to satisfy itself that suitable arrangements are in place to promote economy, efficiency and effectiveness (ie value for money). The Committee is also mindful of the need to ensure the achievement of VfM for students and taxpayers as required by the OfS Regulatory Framework. The Committee has received assurance through the following:

11.1 VfM Monitoring and Reporting

The Committee receives an annual report on VfM governance which outlines the ways in which a culture of VfM is embedded across the University. The report was considered at the March 2024 meeting of the Committee and was subsequently provided to the Finance Committee for information. The report uses the OfS's definition of VfM to group the University's activities across three core VfM areas used by the OfS (Teaching Quality and Outcomes, Consumer Protection and Fees, Funding and Efficiency). The report also indicates how the strategic KPIs relate to VfM objectives, either directly or indirectly. The Committee was satisfied that the report provided a positive account of the University's commitment to achieving VfM.

11.2 Internal Audit Assessment of VfM

The Committee is required to provide an annual opinion on the adequacy of the University's arrangements for achieving VfM. Consideration is given during all audit reviews to whether the underlying systems encourage VfM. During the course of their work this year, the Internal Auditors noted that their work had not led to any findings which would cause them to question the arrangements in place to secure value for money in the use of resources.

12. On the basis of the information provided, the Committee remains satisfied that a value for money culture exists within the University and that University staff are committed to

achieving economy, efficiency, effectiveness and exercising prudence in all its corporate and academic strategies and the use of financial and other resources.

13. The CUC Audit Committees Code of Practice requires the Committee to satisfy itself that effective arrangements are in place to ensure the sustainability of the institution. As indicated (see section 9), the Committee regularly reviews the University's Strategic Risk Register which includes major risks to the University's sustainability, and the Committee draws assurance from the Internal Auditors' assessment of the adequacy of the University's risk management arrangements. The University's going concern assessment was reviewed by the Committee in November 2023 and November 2024 as part of the Committee's review of the University's financial statements. The Committee also notes that the terms of reference of the Finance Committee include ensuring the financial sustainability of the University and that the University's financial performance is regularly monitored by the Finance Committee and the Governing Body. On this basis, the Committee is satisfied that adequate and effective arrangements are in place to ensure the sustainability of the institution.

Data Assurance

14. The Committee is required by the CUC Audit Committees Code of Practice to satisfy itself that effective arrangements are in place to ensure appropriate and accurate data returns to regulatory bodies. It is also relevant to the need to comply with OfS Condition of Registration B4. The Committee receives assurance through the following:

14.1 Annual Report on Management and Quality Assurance of External Data Submissions

The Committee receives an annual report on data governance and the processes in place for managing and assuring the quality of data submitted to external agencies (provided to the Committee in October 2023 and September 2024). The report provides comfort on the robustness of the systems and processes in place. In October 2023 the Committee noted that the University's data management and assurance processes are comprehensive and include a post-submission review to ensure that improvements to processes are noted. In September 2024, the Committee noted the challenges experienced by the University and the sector in relation to implementation of the new HESA Student (Data Futures) record process. All statutory returns to HESA and OfS had been submitted in accordance with stated deadlines, and, in the case of the HESA Student return, the extended deadlines with all queries answers and data verification processes were met.

14.2 Internal Audit Assessment of Data Quality

The Internal Auditors carry out an annual audit on data quality. In 2023/24 a review of the processes and controls around the data underpinning the Knowledge Exchange Framework and production of the HE Business and Community Interaction (HE-BCI) Return had an overall rating of "significant assurance with minor improvement opportunities" on control design and operational effectiveness. The audit had led to four 'medium' and two 'low' priority recommendations. The Internal Auditors identified several areas of good practice but also highlighted the need for improvements in the accuracy and completeness of data collections. The Committee was satisfied with management's assurances that the actions would be completed in time for the next HE-BCI return.

In accordance with the OfS TRAC return process, the Committee received a review of the 2022/23 TRAC cycle, its approach to the 2023/24 TRAC return and benchmarking data of its performance against its peers. The Committee is reassured by the senior leadership oversight of the process to help drive engagement.

14.3 Data Protection and Security

The Committee maintained its focus on IT and information security given the importance of the risk. It received assurance from the following:

- Regular briefings from the Chief Information Officer including:
 - The levels of external assurance around cyber security including the work to attain ISO accreditation for IT service delivery (October 2023 meeting).
 - A detailed account of the University's response to the incident on 19 July 2024 when CrowdStrike released a faulty software update which resulted in a global crash of systems.
- The regular monitoring of IT security metrics within the IT and Information Security Report, which is a standing item at each of the Committee's meetings. The metrics are kept under regular review to ensure they remain fit for purpose. The Committee was pleased to note that the ILS Directorate attained accreditation of the ISO27001 standard for Information Security during the course of the reporting period. Work is in train to obtain NCSC Academic Centre of Excellence in Cyber Security Research.
- Regular monitoring of staff and PGR student completion rates for mandatory training on data protection and IT security. The Committee is pleased to note that nearly 100% of all staff have completed the mandatory data protection and security information training. The Committee noted the intention to release new refreshed training for completion by all new staff, researchers and PGR students and by existing staff on a refresher basis.
- The KPMG Cyber Security Maturity Exercise. KPMG had undertaken a cyber security maturity assessment in 2019 and were commissioned to repeat the exercise to assess any improvement in security maturity. KPMG concluded that the University's security processes and tools reflected a "Defined" cyber security capability and had given the University a 3.5 maturity rating out of 5 (against a sector average of 2.6). The Committee was satisfied with the independent assurance of the University's cyber security strategy, governance, risk management and key operating controls and was pleased to note the external recognition of improvement since the 2019 assessment.

Governance and Other Work

15. As part of its role in ensuring robust internal controls are in place to secure legal and regulatory compliance, the Committee annually considers an assessment from the University Secretary of the University's compliance with the Office for Students' Ongoing Conditions of Registration. A report was considered at the January 2024 meeting when the Committee received assurance that there were no gaps in compliance.
16. The Committee has a remit for monitoring institutional culture and behaviour as required Governance. During the reporting period the internal auditors used their soft controls methodology to evaluate culture and behaviour in the review on operational risk management.
17. The Committee has reviewed institutional documentation prepared as part of the University's regulatory obligations prior to its submission to the Governing Body for approval. This has included the reports prepared in relation to the Prevent statutory duty and the requirements of the Modern Slavery Act. In relation to its remit for governance processes associated with the management of risk and ethical behaviour, the Committee received reports on disclosures made throughout the reporting procedure under the University's Public Interest (Whistleblowing) Policy and Procedure. The Committee also approved revisions to the Whistleblowing Policy which had been updated to reflect the experience of operating it over the last three years.
18. The Committee is notified of actions taken under the policies on fraud and irregularity and is required to oversee significant losses are thoroughly investigated. Throughout the

reporting period, the Committee was kept informed of an incidence of fraud originally investigated under the Counter Fraud Policy. The Committee approved revisions to the Counter-Fraud Policy at its March 2024 meeting to address issues relevant to the fraud case.

<i>Opinion</i>

19. The Committee has reviewed the findings of the Internal auditors on the effectiveness of the systems of internal control, governance and risk management. Arising from their work during 2023/24, the Internal Auditors raised 38 actions, of which none were high priority, 23 were medium priority and 15 were low priority. This was a reduction in the number of recommendations raised in the previous year (51) and represented a fall in the average number of recommendations per audit over the last four years. The Committee has been pleased to note the sustained performance in implementing internal audit actions. The Committee remains satisfied that the VfM principles are integrated into day-to-day activities and that the University's arrangements for ensuring value for money and sustainability are adequate and effective, subject to improvement in some areas.
20. 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.
21. On the basis of all sources of information provided, the Committee has concluded that overall, the University's internal systems of risk management, control and governance arrangements were largely adequate and effective and were of an appropriate standard to attaining economy, efficiency and effectiveness. The Committee is also assured from the information provided to it that the University's arrangements for the management and quality assurance of data provided to external bodies are adequate and effective.

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Date: 21 November 2024