



Report from the Risk and Audit Committee

Issue

1. The board is kept informed of the work of its Risk and Audit Committee by receiving a report on the outcomes of each meeting. The attached report summarises the outcomes of the Risk and Audit Committee meeting held on 21 May 2021. In addition, the committee's annual report for 2021/22 is attached at Annex A.

Recommendations

2. The board is invited to receive the report of the Risk and Audit Committee.

Further information

3. Available from Kate Lander. Full minutes of the meeting are available to members on request.

Risk and Audit Committee report

May 2021

Closed session

1. At the start of the meeting the committee met in closed session with colleagues from the NAO to discuss the recent audit of the OfS's annual report and accounts, and with Internal Audit to discuss their work throughout the year.

Data Futures

2. The committee received an update from the Director of Data, Foresight and Analysis on progress with the HESA data futures programme. We were advised that progress was slower than expected, partly as a result of staff turnover, but we were assured that HESA and Jisc believe any delays can be recovered and that actions have been taken to mitigate the risks associated with recruitment and retention.
3. We will receive a further update on Data Futures at our September meeting and keep this on our agenda until such times as the project is successfully delivered.

Risk report and risk appetite

4. The committee considered an updated register of OfS's strategic and principal risks and the changes to this since the last meeting. Exempt from publication.
5. As requested by the board, we considered the strategic risks rated 'high' and the likelihood of these reducing over time and in line with its risk appetite. Exempt from publication. The financial position should be clearer when we meet again in September and will determine the level of assurance we can give to the board.
6. We also agreed a programme of deep dives which will inform our risk discussions at future meetings.

Internal Audit update

7. The committee considered a completed internal audit review of the Prevent monitoring processes carried out by the OfS. We noted that no significant issues had arisen from this work and that the outcomes are consistent with management expectations. We were assured effective controls are in place in the areas considered by the audit.
8. Exempt from publication
9. As part of the process of annual assurance, the committee received the annual report from the Head of Internal Audit and his formal opinion on the systems and controls in place at the OfS. We were assured that a positive formal opinion had been given again this year and reflected the excellent work carried out both by management and internal audit during a challenging year.

10. The committee was also presented with the internal audit plan for 2021/22, noting that this will be kept under review during the year **Exempt from publication**.

Annual assurance and Annual Report and Accounts 2020/21

11. In addition to the annual report and formal opinion from the Head of Internal Audit, the committee received a package of papers designed to provide assurance to inform our own annual report and formal opinion:

Value for money assurance

12. The committee received details of the OfS's internal control systems that ensure value for money is obtained and where this has been achieved during the year. We were assured that this report provided sufficient assurance in support of our own annual opinion on value for money.

OfS annual report and accounts 2020/21

13. The committee received two papers in relation to OfS's annual report and accounts:

- a. NAO audit completion report – the NAO advised us that there were no significant issues arising from the audit, with a proposed unqualified opinion being given.
- b. Annual report and accounts – we noted the annual report and the financial statement which will form part of the accounts.

14. In reviewing this information, we recommended to the chief executive and Accounting Officer that she approve the OfS's annual report and accounts for 2020/21.

Risk and Audit Committee annual report 2020/21

15. We formally approved our own annual report and formal opinion for 2020/21. This is attached at Annex A.

Counter fraud annual update

16. The committee received the annual report from the Head of Finance covering activity on counter fraud and an update on progress with meeting the government functional standards on counter fraud. We were assured that, based on this information, the accountable individual for counter fraud in the OfS has discharged their responsibilities in respect of the government functional standards for counter fraud.

Kate Lander
May 2021

Annex A: Office for Students Risk and Audit Committee

Annual report 2020/21 (covering the period 1 April 2020 to 31 March 2021)

Introduction

The Risk and Audit Committee (“the committee”) is a committee of the Office for Students’ (OfS) board. The remit of the committee is to provide assurance to the board on the comprehensiveness and reliability of the processes relating to corporate governance, risk management and internal control in place at the OfS. This remit does not extend to matters of risk, control and governance at the English higher education providers regulated by the OfS.

The committee’s annual report to the board provides comment and assurance on these processes and sets out how we have discharged our duties throughout the year. The report also gives a brief indication of the focus of our work in 2021/22.

This year we have continued to develop our role in a variety of ways, for example, by carrying out “deep dives” on a number of the OfS’s strategic risks and through engaging in detailed discussions with risk owners. Overshadowing all our work this year has been coronavirus and its wide impacts on students, higher education providers, and the OfS. We were able to provide assurance to the board on the organisational response through our monitoring of the new and changing risks arising from the pandemic. This particularly focussed on assurance around business continuity matters and, where possible, supporting management during challenging times.

Business of the Committee

Risk management

We are pleased to report that the risk framework is now well established and operating effectively, with risk processes embedded across the organisation. This includes a regular review of the risk register at directors’ group. This happens at least quarterly through the quarterly business plan review but in practice it is more frequent. We are provided with detailed information on the OfS’s strategic and corporate risks at every meeting, including on risk mitigations and action plans, and on movement in risk scores and target dates. We continue to work with management on ways to develop and improve our risk management processes to ensure these continue to meet business needs.

With routine risk management process in place, this year we placed more emphasis and focus on specific risks, carrying out a number of “deep dives”, including into risks relating to data, IT and OfS people and workforce. This gives us the opportunity to discuss the risk in more detail with individual risk owners, including the processes for identifying the risk, the full range of mitigations in place and the targets for reducing or closing the risk. During the course of this year we have also seen, and scrutinised, risks which specifically arose as a result of COVID-19. The board updated its position on risk tolerance and appetite in early 2021 and we will continue to challenge management against this both in our regular risk updates and through our programme of “deep dives”.

At the request of the board, we considered in detail the processes that have been undertaken to identify and mitigate the risks to the OfS arising from the Court of Appeal’s decision to reverse the

High Court judgement on Bloomsbury Institute. We were able to assure the board that these processes are robust. We will continue to carry out any other work as required by the board.

Internal Audit carried out a review of risk management in early 2021 and provided us with significant assurance on the effectiveness of the risk management process at the OfS. The review identified some small areas for improvement, and we will ensure these are taken forward by management. We also welcomed the introduction of new risk management software during the year which provides us with more detailed metrics to inform our discussions.

Based on the endorsement of Internal Audit, the comprehensive level of information we received during the year and the opportunities we have had to discuss risk in more detail, we are able to assure the board that the organisation has a robust risk management framework in place and that this is operating effectively.

Internal Audit

At the start of the year we worked with KPMG, our internal auditors, to agree an internal audit plan for 2020-21 and were content with the small changes to the plan made during the reporting period to reflect ongoing business needs. We routinely receive updates from the Head of Internal Audit on progress made against this plan, the recommendations arising from his work, the management response and its progress in implementing the recommendations. In particular, KPMG has reviewed and reported on the following:

- Portfolio Management Office
- HESA Data Futures Project
- Impact and response to COVID-19
- Governance and risk management
- Financial systems: Receivables and payables
- Monitoring of PREVENT.

We were advised that no significant issues have been identified, providing us with assurance that the internal processes under consideration are well controlled. Where recommendations have been made, we were assured that these have been mostly accepted by management and are being taken forward. In a small number of circumstances management had not accepted or partially accepted the recommendations made by Internal Audit. We have been informed of the detail and accepted management's view that the organisation is prepared to tolerate any risks arising from its position.

We receive regular updates from the Head of Internal Audit on progress made by management in implementing internal audit recommendations. We have been made aware of a few delays in implementation, relating to low level recommendations, which we have raised with management. We are assured this does not reflect any systemic problem with the control environment at the OfS.

Internal audit opinion

Based on his work throughout the year, the Head of Internal Audit has provided his formal opinion (below) on the adequacy of risk management, control and governance processes at the OfS. This opinion is intended to give reasonable rather than absolute assurance of effective controls.

Internal audit opinion

The basis for forming our opinion is as follows:

An assessment of the design and operation of the underpinning Assurance Framework and supporting process; and.

An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas.

Our overall opinion for the period 1 April 2020 to 31 March 2021 is of:

Significant assurance with
minor improvement
opportunities

In the areas considered in the scope of work, significant assurance with minor improvement opportunities can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

External audit

As a public sector body, the OfS is obliged to use the National Audit Office (NAO) as its external auditor, who provides its audit opinion to Parliament and not to the board. The NAO operate externally to the OfS and offer the committee an independent view.

Following our discussion of the audit outcomes, the 2019/20 accounts were approved by the OfS board in May 2020. We subsequently received assurance from the NAO that its post-audit findings had been accepted and were being taken forward by management.

In relation to the OfS's 2020/21 financial statements, we discussed the NAO's interim management report at our meeting in February 2021 and, in May, the final audited accounts and the NAO's audit completion report with its proposed unqualified opinion. The audit completion report also set out its key observations and recommendations arising from the audit process. We were assured that relevant matters had been picked up with OfS management. Based on this information and our discussions with the NAO, the committee recommends the 2020/21 annual report and accounts to the board.

Assurance processes

Throughout the year we have had the opportunity to consider a number of other internal control arrangements, in particular, a positive self-assessment against a Cabinet Office framework for grant management and the OfS's arrangements for Counter Fraud.

We have been kept informed of the OfS's cyber security arrangements and, following an internal audit last year, were assured that good progress continues to be made in this area. We also received a comprehensive update on cyber and other IT matters from the Chief Technology Officer at the OfS which gave us confidence that the risks in these areas are being addressed.

The chief executive routinely provides us with a comprehensive update on matters relating to the OfS and its work, in particular how the organisation is responding to the challenges of coronavirus by managing its resources and prioritising work to ensure the interests of students are protected during the pandemic. This gives us assurance that robust and effective internal control processes have been put in place at a time of unprecedented change.

We were also alerted to a small number of information security incidents and internal control errors which had occurred during the year. We were assured that none of these were significant or resulted in financial loss to the organisation. Through our discussions with officers, we received satisfactory assurance that corrective action has been taken and that this did not indicate any overall increase in risk.

In noting the OfS strategic objective of being an efficient and effective regulator, we have been assured that the organisation continues to deliver economy and efficiency through its work. We have also been kept up to date on the actions being taken to deliver the OfS's commitment to a 10% reduction in its registration fee over the next two years.

Membership and meetings

During the reporting period, the Committee met four times. Members of the Committee for the period under review were:

Name	Status	Term of office	Meetings attended
Kate Lander (chair)	OfS board member and Committee chair	Appointed to the board until 30 June 2022	4/4
Gurpreet Dehal	OfS board member	Appointed to the board until 31 December 2021	3/4
Katja Hall	OfS board member	Appointed to the board until 31 December 2022	4/4
Suzanne McCarthy	Independent member	Appointed to the Committee until 11 July 2021	4/4
Margaret Monckton	Independent member	Appointed to the Committee until 11 July 2023	4/4
Colin Wilby	Independent member	Appointed to the Committee until 11 July 2021	3/4

Brief biographies of all members, including any declared interests, are available on the OfS website at www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/.

The internal and external auditors, the chief executive and the Director of Resources and Finance regularly attend meetings to assist the committee in carrying out its duties. Other directors or senior managers attend as required.

The committee also held closed meetings with both the Head of Internal Audit and the NAO without OfS officers present.

Risk and Audit Committee effectiveness

During the year we undertook a review of our own effectiveness, the results of which were largely positive. Compared to data from the previous year, this review highlighted the committee's improved understanding of the overall control environment in which the OfS is operating, informed partly from the quality of advice and assurance received through the work of internal audit. The committee reported a high level of assurance from the OfS's risk management process but felt it could have a better understanding of the board's appetite to risk. This and the other learning points from the review are being used to develop our work.

Future work of the Committee

In addition to a review of our own effectiveness, in 2021/22 the committee will:

- Continue our programme of deep dives into specific areas of risk.
- Engage with management regarding the board's recently updated position on risk tolerance and appetite
- Continue to seek assurance on the robustness of internal controls arising from the ongoing situation with coronavirus.
- Provide assurance to the board on the processes adopted by the OfS in carrying out its regulatory activities.
- Carry out any work requested by the board.

Risk and Audit Committee formal opinion

Our formal opinion for 2020/21 is provided below. This will be published in the OfS's annual report and accounts for 2020/21.

OfS Risk and Audit Committee formal opinion

Given the opinions of both the Head of Internal Audit and the NAO as expressed in their annual reports, and the other information available to us from our work during the year, the Risk and Audit Committee can provide the OfS chief executive, as Accounting Officer, with reasonable assurance that the OfS's processes relating to corporate governance, risk management and internal control are working satisfactorily. During the reporting period, we do not believe that these processes have been adversely affected as a result of coronavirus.

We are satisfied with the quality of the work provided by Internal Audit and with the services of the NAO. Through this work, we are able to take a measured view and receive assurance on the quality and effectiveness of financial reporting and internal control within the OfS.

In respect of our own performance, we consider that the committee has worked effectively with Internal Audit to ensure the focus of our work is relevant to the risks facing the OfS and we have challenged appropriately. We have supported the chief executive and management in their work and offered constructive challenge where required. In carrying

out these activities, we believe we have fully discharged our responsibilities in accordance with our terms of reference.

This opinion is intended to give reasonable rather than absolute assurance of effective controls. It informs the chief executive's governance statement.