

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 18 May 2022.

Recommendations

2. The board is invited to:
 - a. Note the report from the Risk and Audit Committee.
 - b. Note the committee's annual report and formal opinion for 2021-22 at Annex A.

Further information

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

Risk and Audit Committee report, May 2022

Closed session

4. 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

OfS risk management

5. The committee considered the updated register of OfS's current strategic and principal risks and the changes to this since the last meeting. Although the OfS is largely unaffected, we noted the actions that management has taken in response to recent NAO guidance on risks associated with Russia's invasion of Ukraine.
6. Exempt from publication.
7. We also had to opportunity to provide feedback on the draft strategic risks and associated risk appetite and tolerance which have been developed for the OfS to align with its new strategic plan. This will inform the board's risk discussion at its May meeting.

Resourcing and prioritisation

8. We received an update from management on the actions being taken to manage resourcing at the OfS, informed by the priorities set out in its new strategy and business plan.

Data Futures

9. The committee received an update from the Director of Data, Foresight and Analysis on the risks associated with the Data Futures programme. We were advised that collection of end of year data using the new platform and data model for 2022-23 is on track but that the transition to in-year data collection will be delayed to 2024-25.
10. Exempt from publication.
11. Exempt from publication.
12. We will continue to receive an update at future meetings and advise the board accordingly.

Internal Audit update

13. As part of the package of items around 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 the year.
14. The committee was also presented with the internal audit plan for 2022-23. This focusses on key risks and reflects a range of work across the organisation. There is also in-built flexibility should additional reviews be required during the year.

Annual assurance and Annual Report and Accounts 2021-22

15. 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

16. 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

17. 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.

18. In reviewing this information, we recommended to the chief executive and Accounting Officer that she approve the OfS's annual report and accounts for 2021-22.

Risk and Audit Committee annual report 2021-22

19. We formally approved our own annual report and formal opinion for 2021-22. This is attached at Annex A.

Counter fraud annual update

20. 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 2022

Annex A: Office for Students Risk and Audit Committee

Annual report 2021/22 (covering the period 1 April 2021 to 31 March 2022)

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 advice 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 our work in 2022/23.

This year we have provided additional support to the board by seeking detailed assurance on areas where greater risks were identified. This has included receiving regular updates on the Data Futures programme and considering a range of resourcing issues that have had a bearing on the work of the OfS. As the impact of the pandemic continued throughout the year, we also provided assurance to the board on the organisation’s management and mitigation of the related risks.

Business of the Committee

Risk management

The positive results of the review carried out in early 2021 by the Head of Internal Audit provided us with assurance that the OfS’s risk management processes were operating effectively with evidence of continuous improvement as it evolves over time. We continue to have confidence that there are thorough and challenging discussion of the risk register at the directors’ group, and regular engagement by the board on the OfS’s high-level strategic risks. At each of our meetings we received a detailed report on the position with these risks along with a report on those corporate risks rated as ‘high’. This included information on risk mitigations and action plans

We recognise the value of looking at particular risks in more detail and, this year, we continued with our programme of “deep dives”, including looking at OfS finances, organisational priorities and capacity and cyber security. These “deep dives” gave us the opportunity to consider the factors leading to the overall risk assessment for each risk area, the mitigating actions that have been put in place and the targets for reducing or closing the risk. They also enable us to provide the board with more detailed and informed assurance. We will continue with the programme next year, aligning the topics to the OfS’s new strategic risks.

At our meeting in February 2022, we considered the most recent internal audit review of the OfS’s overall approach to strategic risk management, and this provided us with significant assurance on the effectiveness of the overall risk management process at OfS. The review identified some areas for improvement, including building on how risk is reported and presented to the committee. It will also complement management’s ongoing work in identifying the OfS’s new strategic risks, risk tolerance and appetite to ensure these align with its strategic plan for 2022-25.

At the request of the board, we continued to have a watching brief on the Data Futures project which has enabled us to obtain assurance on the processes in place to manage the risks

associated with this programme of work. This included receiving an update on progress from the risk owner at every meeting. We have also received regular reports on the overall governance of the project from Margaret Monckton, the committee member who sits on the project's quarterly review group, and Gurpreet Dehal who carried out that role prior to his departure from the committee.

We are continuing to give attention to the process of assessing and mitigating any potential risks arising from changes to senior leadership at the OfS, including the appointment of a new Director for Access and Participation (DfAP) and the imminent departure of the chief executive. We are assured that the risks have been identified and captured in a new corporate risk, and are being managed satisfactorily through our regular risk monitoring processes.

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 2021-22. and were supportive of management's decision to defer one of the items on the plan – a review of access and participation monitoring. This was due to the appointment of a new DfAP and wider changes to the Access and Participation Plan process. 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:

- Monitoring of PREVENT
- IT patching and backup review: stage 1
- Procurement (including declaration of interests)
- OfS's Approach to business planning
- Data Processing and Controls in relation to funding
- Budgetary control
- IT patching and back-ups (Part 2)
- HR: general controls
- Risk management

We were advised that, in, most cases, 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 addressed. In the small number of cases where more substantial recommendations have been made, we were fully informed of the reasons behind these. We were

assured that they represented no serious risk to internal controls at the OfS and that action had been taken by management in line with the recommendations.

We receive regular updates from the Head of Internal Audit on progress made by management in implementing internal audit recommendations. There have been some delays, relating to low level recommendations. We were content that these delays were as a result of the organisation's need to prioritise its activities during the year and are assured they do not indicate any systemic problem with the control environment at 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

'Significant assurance with minor improvements' 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 2020/21 accounts were approved by the OfS chief executive and Accounting Officer in May 2021. In relation to the OfS's 2021/22 financial statements, we discussed the NAO's interim management report at our meeting in February 2022 and, in May, the final audited accounts and the NAO's management letter with its proposed unqualified opinion. The management letter 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 2021/22 annual report and accounts to the board and to the interim chief executive and Accounting Officer.

Assurance processes

As well as through the work of internal audit, we have also sought assurance on other aspects of the internal control arrangements in place at the OfS. This included receiving an update on Counter Fraud and the progress made in respect of this activity. We were alerted to a small number of information security incidents and financial control errors which had occurred during the year. We were assured that none of these were significant or indicated any overall increase in risk to the organisation.

We also reviewed and approved some revisions to the policy for the reporting of internal control incidents, including those relating to financial control errors, payroll errors, funding calculation errors and the reporting of information incidents.

We have been kept informed of the OfS’s cyber security arrangements. We were able to seek assurance on the effectiveness of these from a detailed discussion with the Chief Technology Officer at OfS. This included receiving an update on the ongoing work to improve processes intended to mitigate existing and future cyber risks for the OfS. We received further assurance from a positive internal audit report on IT patching and back-up, and receiving confirmation that the OfS had received its Cyber Essentials Plus reaccreditation and a similar endorsement from Microsoft through achieving an above-average ‘Secure Store’ rating.

We were provided with evidence to demonstrate ways in which the OfS has delivered value for money in its work and is continuing to meet its strategic objective of being an efficient and effective regulator.

We continue to value the open and comprehensive update given by the chief executive at every meeting, and the assurance this provides. This covers a range of issues relating to the OfS and its work, including the need to manage the workload challenges facing the OfS, the development of the OfS’s new strategy and the organisation’s ongoing response to the coronavirus pandemic.

Membership and meetings

During the reporting period, the Committee met 4 times. Members of the Committee for the period under review were:

Name	Status	Term of office	Meetings attended
<i>Kate Lander (chair)</i>	OfS board member and Committee chair	Appointed to the board until 30 June 2022	4/4
<i>Gurpreet Dehal</i>	OfS board member	<i>Resigned from the board in July 2021</i>	2/2
<i>Katja Hall</i>	OfS board member	Appointed to the board until 31 December 2022	4/4
Suzanne McCarthy	Independent member	Appointed to the Committee until 11 July 2024	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	1/1
Satish Jeram	Independent member	Appointed to the Committee until 31 October 2024	2/2

Brief biographies of all members, including any declared interests, are available on the OfS website at <https://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 at two of its meetings. One of these sessions included both the Head of Internal Audit and the NAO.

Risk and Audit Committee effectiveness

During the year we undertook a review of our own effectiveness, the results of which were largely positive. We will continue to use the learning points from the review to develop our work. We also carried out a comparison of the operation of the OfS Risk and Audit Committee against the guidance set out in the HM Treasury Audit and Risk Assurance Committee Handbook. We were assured that this did not identify any issues of non-compliance.

Future work of the Committee

In addition to a review of our own effectiveness, in 2022/23 the committee will:

- Continue our programme of deep dives into specific areas of risk.
- Support the board in its work to agree new strategic risks for the OfS aligned to its 2022-25 strategic plan
- When finalised, constructively challenge management against the board's revised position on risk tolerance and appetite
- Provide assurance to the board on the processes adopted by the OfS in carrying out its regulatory activities.
- Hold management to account in ensuring the recommendations made by Internal Audit are addressed
- Carry out any work requested by the board.

Risk and Audit Committee formal opinion

Our formal opinion for 2021/22 is provided below. This will be published in the OfS's annual report and accounts for 2021/22.

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 interim 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.

We recognise that the risks facing the OfS are changing but continue to be significant. Through our process of deep dives we obtained a deeper understanding of the key risks and have a reasonable level of confidence that these are being managed appropriately.

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.

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