

Report from the Risk and Audit Committee

Purpose

Board's primary role in relation to this paper:

- A. Set strategy
- B. Set risk appetite
- C. Oversee performance
- D. Understand context

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 6 June 2023.

Recommendations

2. The board is invited to:
 - a. Receive the report of the Risk and Audit Committee.
 - b. Note the committee's annual report and formal opinion for 2022-23 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, June 2023

Update on Data Futures

4. The committee received an update from the Director of Finance and Resources on the risks associated with the Data Futures programme.
5. Exempt from publication.
6. While the overall picture is more positive than in the past, we will continue to receive an update at future meetings and advise the board accordingly.

OfS risk management

7. The committee considered the updated register of OfS's current strategic and principal risks and the changes to this since the last meeting.
8. Exempt from publication.
9. The following points were raised in discussion:
 - a. Exempt from publication.
 - b. Exempt from publication.
 - c. Exempt from publication.
10. We also had the opportunity to provide feedback on the proposed revisions to strategic risks and associated risk appetite and tolerance. This will inform the board's risk discussion at its July meeting.

Internal audit update

11. As part of the package of items around annual assurance, we 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.
 - a. Exempt from publication.
 - b. Exempt from publication.
 - c. Exempt from publication.
12. The committee was also presented with the internal audit plan for 2023-24. This focuses on key risks and reflects a range of work across the organisation. The following points were raised in discussion:
 - a. Exempt from publication.
 - b. Exempt from publication.
 - c. Exempt from publication.

d. Exempt from publication.

Annual assurance and annual report and accounts 2022-23

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

Value for money assurance

14. 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.

Annual report and accounts 2022-23

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

- a. National Audit Office (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 that that the financial statements show a true and fair view and have been properly prepared in accordance with the Government Financial Reporting Manual (FReM) 2022-23
- b. Annual report and accounts – we noted the annual report and the financial statements which will form part of the accounts.

16. In reviewing this information, we recommended to the chief executive and Accounting Officer that she approve the OfS's annual report and accounts for 2022-23.

Risk and Audit Committee annual report 2022-23

17. We formally approved our own annual report and formal opinion for 2022-23. This is attached at Annex A.

Counter fraud annual update

18. 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 (director of resources and finance) for counter fraud in the OfS has discharged their responsibilities in respect of the government functional standards for counter fraud.

Exempt from publication

19. Exempt from publication.

a. Exempt from publication.

20. The following points of discussion were raised:

a. Exempt from publication.

b. Exempt from publication.

c. Exempt from publication.

d. Exempt from publication.

e. Exempt from publication.

Annex A: Office for Students Risk and Audit Committee Annual report 2022-23 (covering the period 1 April 2022 to 31 March 2023)

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 2023-24.

Throughout the year we continued to draw the board’s attention to areas where greater risks have been identified and which may have a bearing on the ability of the OfS to carry out its work. This has included acknowledging the pressures on capacity of the organisation to deliver a challenging agenda given limited finances. This has led to a review of the level of risk appetite for our strategic risk ‘OfS finances’, noting that increased prioritisation has meant some planned activities have been delayed or stopped. In addition, at the request of the board, we have retained a focus on the Data Futures programme and provided detailed assurance on its progress.

Business of the committee

Risk management

The positive results of the review carried out in early 2022 by the Head of Internal Audit concluded that the OfS’s risk management processes were operating effectively with evidence of continuous improvements and ongoing refinements to the system. At our meeting in February 2023, we considered the most recent internal audit review of the OfS’s overall approach to strategic risk management, and this again provided us with significant assurance on the effectiveness of the overall risk management process at OfS. The review suggested some areas for improvement around the documentation of risk and providing further clarification on when risks should be escalated within the SureCloud system.

Following the introduction of its 2022-2025 strategy in March 2022, we had the opportunity to consider the OfS’s draft strategic risks, risk appetite and tolerance at our meeting in May 2022 and provide our assurance to the board on the process undertaken to identify them. Subsequent to this, we also considered the work carried out by the executive to identify future and emerging risks.

At each of our meetings we received a detailed report on the strategic risk position along with a report on those corporate risks rated as ‘high’, including information on risk mitigations and action plans. Alongside our own discussions on risk, we remain confident that there is thorough and challenging consideration of the risk register at the directors’ group, and regular engagement by the board on the OfS’s high-level strategic risks. The recent internal audit identified a consistent organisational commitment to risk management at the OfS and we encourage all staff to be aware of and involved in identifying risk. We continue to remind risk owners of the importance of being

more realistic about target dates on the risk register, particularly where the risks are outside of the OfS's control.

As we have done previously, this year, we continued with our programme of “deep dives”, including looking at resourcing and finance, cyber security and OfS finances. 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, ensuring we look across a broad range of risk areas.

In fulfilling our ongoing commitment to the OfS board, we have continued with our watching brief over Data Futures. This has enabled us to obtain more detailed assurance on the processes in place to manage the risks associated with this programme of work. As well as receiving an update on progress 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. In addition, we received further assurance from Internal Audit who carried out a review of the internal oversight and governance of the programme at the request of the executive. The review identified areas of good practice and concluded that a strong platform was in place for successful delivery. The January 2023 provider readiness survey received 259 responses which OfS colleagues have reviewed in full. A small number of providers indicated they were not on track, all quoting software issues as the main concern which we were already aware of. Providers stating they are on track also highlighted dependencies on software solutions coming through, especially around the interim submission deadline amongst other risks. OfS colleagues will keep a watching brief on this and review again in light of submissions to the interim deadline in May.

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 at our meetings, we are able to assure the board that the OfS 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 2022-23 and were supportive of the executive's decision to defer two of the items on the plan. A review of general IT controls was replaced by a data breach lessons learnt review and an audit of the OfS's job evaluation scheme was removed as an external consultant is providing support in this area. Both will be considered for inclusion on a future internal audit plan. 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:

- governance and compliance process in respect to responding to reportable events
- OfS compliance with regulatory frameworks
- data breach - root cause analysis / lessons learnt
- financial controls (payroll)
- TEF consultation and governance

- risk management
- cyber review
- data assurance mapping.

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 accepted by the executive and are being taken forward. 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 is being taken by the executive in line with the recommendations.

We receive regular updates from the Head of Internal Audit on progress made by the executive in implementing internal audit recommendations. During the year, 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 and are assured they do not indicate any systemic problem with the control environment at the OfS.

Following a formal procurement exercise, KPMG were reappointed as internal auditors for a further term of up to four years to take effect from 1 April 2023.

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 2021-22 accounts were approved by the OfS chief executive and Accounting Officer and published in June 2022.

In relation to the OfS's 2022-23 financial statements, we discussed the NAO's interim management report at our meeting in February 2023 and, in June 2023, we discussed the final audited accounts and the NAO's completion report with its proposed unqualified audit opinion, without modification in respect of both regularity and the true and fair view on the financial statements. The NAO advised

that there were currently no significant weaknesses in the OfS's processes or controls that they wanted to bring to our attention.

Based on this information and our discussions with the NAO, the committee recommends the 2022-23 annual report and accounts to the board and to the Chief Executive and Accounting Officer.

Assurance processes

At our meeting in February 2023, we received an updated assurance map setting out the OfS's key risks and the sources of assurance and controls informing the mitigations for these risks. Any gaps identified through the mapping exercise have played a part in driving the internal audit programme for 2023-24.

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.

During the year we were advised of a significant data breach, the details of which the OfS voluntarily reported to the Information Commissioner's Office (ICO). In response to the incident, Internal Audit was instructed to carry out a review of the root causes of the breach and potential lessons that could be learnt following the incident. In receiving the outcomes of the review, we were assured that no systematic issues were identified. The recommendations in the review were accepted by the executive and are being implemented.

We were alerted to a small number of additional 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 material increase in risk to the organisation.

Through a detailed discussion with the Chief Technology Officer we were able to seek assurance on the effectiveness of the OfS's cyber security arrangements and its ongoing work intended to mitigate existing and future cyber risks. We received further assurance from a positive limited scope review of cyber security carried out by Internal Audit, and details of the actions being taken to address its findings.

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.

This year we welcomed the opportunity to work with Susan Lapworth, first as the interim chief executive of the OfS and then in her formal appointment to the role. We continue to value the open and comprehensive update she provides at every meeting, and the assurance it provides. This covers a range of issues relating to the OfS and its work, including its evolving regulatory activities and managing resourcing challenges.

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 2025	4/4
Katja Hall	OfS board member	Appointed to the board until 31 December 2025	4/4
Martyn Oliver*	OfS board member	Appointed to the board until 31 December 2025	2/2
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 2024	3/4
Satish Jeram	Independent member	Appointed to the Committee until 31 October 2024	4/4

*Martyn Oliver was co-opted to the committee 14 October to 31 December 2022. He became a full member when his term of office on the OfS board formally commenced on 1 January 2023.

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.

During the year, the committee met in closed session with the Head of Internal Audit and the NAO to discuss year-end processes.

Risk and Audit Committee effectiveness

During the year we undertook a review of our own effectiveness, also taking into account the views of our stakeholders and a selection of board and executive members. The results of the review were largely positive and we will use the learning points to develop our work in the coming year.

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 responsibility for strategic risks and risk appetite
- provide assurance to the board on the processes adopted by the OfS in carrying out its regulatory activities
- hold the executive to account in ensuring the recommendations made by Internal Audit are implemented
- carry out any additional work requested by the board.

Risk and Audit Committee formal opinion

Our formal opinion for 2022-23 is provided below. This will be published in the OfS's annual report and accounts for 2022-23.

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.

We recognise that the risks facing the OfS continue to be significant, particularly those relating to its finances and resourcing. 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 the executive 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 chief executive's governance statement.