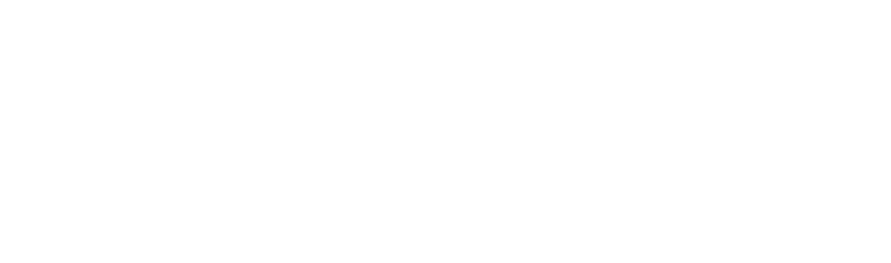
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| Cardiff Metropolitan University |
| Audit Committee Annual Report |
| Academic Year 2022/2023 |

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| Approved by: Waddington, Scott  November 2023 |





Audit Committee   
Annual Report

# Introduction

This is the annual report of the Cardiff Metropolitan University Audit Committee (**the Committee**), and forms part of the requirements of the HEFCW Financial Management Code 2017.

The report outlines updates on key audit issues during the financial year 01 August 2022 to 31 July 2023; it also includes any significant issues which have arisen up to the date of the report (18 November 2023). The report has been endorsed by members of the Audit Committee for presentation to & approval by the Board of Governors, and subsequent submission to the Higher Education Funding Council for Wales (**HEFCW**).

The purpose of the report is to describe how the Committee has discharged its duties, to highlight any significant issues during the financial year, and to provide the Committee’s opinion on the adequacy and effectiveness of the University’s arrangements for risk management, control and governance; economy, efficiency and effectiveness (value for money); and management and quality assurance of data used and submitted for regulatory purposes.

The Committee adheres to good governance practice and published guidance, including that of the Committee of University Chairs.

# Membership

Membership of the Committee for the Academic Year 2022/23 was as follows:

* Scott Waddington (Chair and Independent Governor)
* Adrian Piper (Vice-Chair and External Co-opted Member of Audit Committee)
* Menai Owen-Jones (Independent Governor)
* Matthew Tossell (Independent Governor)
* Lisa Winstone (External Co-opted Member of Audit Committee)

# Meetings

Four Meetings were held during the 2022/2023 Academic Year:

* 26 September 2022
* 28 November 2022
* 27 March 2023
* 26 June 2023

Representatives of the Internal Auditors, External Auditors, and the Vice-Chancellor's Executive Group (**VCEG**) attended meetings as appropriate. All meetings were immediately preceded by private meetings of members with the Internal Auditors and, when appropriate, the External Auditors.

Following each meeting of the Committee, a summary of the items considered at that meeting was presented to the Board of Governors, and any significant issues were raised as separate agenda items.

# Terms of Reference

The Committee’s Terms of Reference were endorsed on 28 November 2022 as appropriate for the business year 2022/23.

The Chair of the Committee was Scott Waddington.

Membership of the Committee included financial or audit experience, both through Independent Governors and the External Co-opted Members. Members of the Committee do not have or exercise any executive management responsibilities at the University. The Chair of the Board is not a member of the Audit Committee. No Members of the Committee serve on the University’s Resources (finance) Committee.

Governance and Audit Committee operations have observed good governance practices during the year. The head of internal audit has access to the Chair of the Committee, and there are regular meetings between the Chair and the internal and external auditors through scheduled private meetings. All members of the Committee are required to declare any conflicts of interest in the Register of Interests, and declarations are also made at the start of each meeting.

# Internal Audit

## Internal Auditors

The University’s Internal Auditors for 2022/23 were TIAA. TIAA’s contract started on 01 August 2021 and runs for an initial three years until 31 July 2024.

TIAA takes a risk-based approach to the audits. In order to determine the priorities, TIAA reviews the University’s risk register and risk management framework. When combined with the regulatory framework, external audit recommendations, previous internal audit work for the University, plus key corporate documentation such as the business and corporate plan, standing orders, and financial regulations a rolling annual audit plan is developed. This is followed by a ‘risk prioritisation review’, carried out annually.

When providing assurance, TIAA looks at two types of risk, ‘Directed’ and ‘Delivery’. A ‘Directed Risk’ is a “failure to properly direct the service to ensure compliance with the requirements of the organisation”. A ‘Delivery Risk’ is a “failure to deliver the service in an effective manner which meets the requirements of the organisation”.

## Internal Audit Strategy and Plan

To close the TIAA Internal Audit Plan from 2022/2023, the Audit Committee meeting held on 26 June 2023 received the final outstanding internal audit reports of the 16 reviews carried out during the year.

A total of 39 recommendations were raised – 2 urgent, 21 important, and 16 routine.

There was one area, Communications, reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided ‘limited assurance’. Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted.

Two of the audits in the annual plan - IT Continuity Plans, Service Desk and Incident Management and the Safeguarding & Prevent audits were, at the University’s request, postponed to 2023-24. This was primarily due to service changes and upgrades progressing in the first area and staff vacancy in the second.

## Internal Audit Annual Report 2021/2022

The Internal Audit Annual Report 2021/2022 was presented during the 2022/2023 academic year, at the 28 November 2022 meeting of the Committee. It noted that there had been little or no impact on the delivery of the internal audit work during 21/22 as a result of the COIVD-19 pandemic.

TIAA provided assurance that their work complied with ISO 9001:2015 standards and the IIA-UK Professional Standards.

The Head of Internal Audit at TIAA gave the opinion that “for the areas reviewed during the year, Cardiff Metropolitan University has reasonable and effective risk management, control and governance processes in place.”

## Implementation of Internal Audit Recommendations

The Audit Committee received a report from the Deputy Director of Finance at each meeting setting out the progress made against the internal audit recommendations. At the Committee’s June 2023 meeting, it was noted that there were 15 remaining recommendations,13 of which were set to complete by August 2023. There was 1 Cyber Security exception which required a longer timespan for implementation and had a revised implementation of November 2023.

# External Audit, and the Annual Report & Financial Statements

## External Auditors

## The University’s External Auditors were Price Waterhouse Coopers (**PwC**). PwC’s contract was due to end in December 2022 and a tender process was launched. As the University received no bids, under the Public Contract Regulations 2015, the University commenced the ‘negotiated procedure’ to directly negotiate with PwC. It was confirmed PWC would continue as the University’s External Auditors to ensure audit services could be legally maintained. The service would cover an initial an initial three-year period, followed by two potential one year contract extensions.

## Annual Report & Financial Statements, and External Audit Findings 2021/2022

On 28 November 2022, the Committee received the 2021/2022 Annual Report and Financial Statements for the year ended 31 July 2022. The External Audit provided a statutory opinion on the consolidated financial statements of the University and its three subsidiaries.

The Financial Statements were prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standard (FRS) 102.

Key findings:

* The University delivered a strong financial performance, with a combined income (along with the University’s subsidiaries) increasing by £14.9m to £137.2m (2021: £122.3m).
* The University also achieved a record cash surplus of £19.5m and highest ever year-end cash on deposit of £62.4m.
* The financial KPI for staff spend as a percentage of income remained under 60% (on a cash basis) at 56.9%, and on a non-cash basis 66.7%.
* The Chief Officer (Resources) highlighted that the University was well placed financially for the start of the new Strategy 2030. Nevertheless, it was commented that there would be challenges, noting that borrowing costs would be higher due to inflation and there was no sign of the current £9k cap on fees changing.
* The Committee highlighted that there were few signs indicating that inflation would return to the 2% target in the next couple of years, and therefore there would be higher rates for some time. The Committee was reassured that the University had a good financial base and commented that it would be difficult for the Government to increase fees significantly in the current climate.

The External Auditors’ analytical review of the University’s financial performance supported the contents of the Annual Report and Financial Statements. It was stated that the auditors expected to be able to issue a statutory audit opinion as set out in accordance with legislation and the Audit Code of Practice (issued by HEFCW).

Key findings:

* Under ISA (UK) 240, the External Auditors are required to consider the risk of fraud through management override controls and in revenue recognition. Following assessment, no issues were found.
* No material weaknesses in internal control were found.
* No material breaches of laws and regulations as would impact on the financial statements were found.
* Unadjusted differences were deemed ‘not material’, and the External Auditors did not propose that any adjustments should be made to the financial statements.

## External Audit Plan 2022/2023

## In June 2023 the Committee received the External Auditors’ proposals for the External Audit for 2022/2023. There were no changes to the framework of the audit but to the auditing standards, notably with ISO 315 in relation to risk assessment, which would include more granular control of the IT environment and its relation to Finance.

## There had been no change to the risk profile but there were some further risks to consider. The material risk had increased slightly in line with the University’s growth. PwC said that they were looking to bring forward as much work as possible to reduce the burden of sampling later in the year.

# Other Items of Business

## The 2022/2023 business cycle saw a continuation in the high level of audit activity representing a substantial agenda for each of the Committee’s meetings.

## Policy Development and Review

The Committee received several detailed reports during the year including an update on IT security setting out the work planned to improve IT security in November 2022. People Services provided reviews of the Staff Performance Process in September 2022 and the Severance Process and Settlement agreement in June 2023.

The University had conducted a policy review of the Whistleblowing policy in response to the Audit Committee’s request. The new policy had taken into consideration lessons learned from cases to date and consistency with sector best practice. The key amendments were to include students and members of the Board of Governors within the policy, to set out more clearly the process for raising a concern and treatment of concerns raised either in confidence or anonymously.

## Compliance

The University worked with practices in line with Welsh and UK Government guidance as appropriate.

## Annual Modern Slavery and Ethical Supply Chain Statement

The Committee received the finalised Modern Slavery and Ethical Supply Chain statement 2021-22 in March 2022. The statement was signed off by the Chair under Chair’s action to accord with the required statutory timeframe for approval and publication. The statement is pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Cardiff Metropolitan University’s slavery and human trafficking statement for the financial year ending 31 July 2022. In addition, this statement sets out the University’s undertakings in respect of the [Welsh Government Code of Ethical Employment in Supply Chains: Code of practice](https://gov.wales/ethical-employment-supply-chains-code-practice-guidance-and-training) to which the University has committed its support.

## Referrals under the Whistleblowing Procedure

Receipt of referrals under the Public Interest Disclosure Act 1988 ('whistleblowing') is a standing item on Audit Committee agendas.

The Whistleblowing policy had been subject to review in response to a request by the Audit Committee. The new policy had taken into consideration lessons learned from cases to date and consistency with sector best practice. The key amendments were to include students and members of the Board of Governors within the policy, to set out more clearly the process for raising a concern and treatment of concerns raised either in confidence or anonymously.

The Interim University Secretary noted that the incidence of whistleblowing complaints was relatively low with only three cases being received in the past four years. More recently, two further cases had been received, one addressed and one anonymous issue was being dealt with.

## Risk

The Committee has oversight of, and carries out a detailed review of, the University’s Key Corporate Risks and Risk Register, including advising and challenging the University’s Executive and onward reporting to the Board.

The Committee noted that three new “red” risks had emerged which were the cost-of-living pressures, UKVI international student licences and student accommodation issues.

The risks and their risk scores throughout the year include:

* UKVI: international student visas the risk score reduced from 25 to 20 throughout the year
* Student Accommodation: the risk score remained at 25.
* Cost of Living Crisis: the risk score remained at 25
* Retention: Unable to achieve the University's Measure of Success target of 92% student retention the risk score increased from 20 to 25.
* IT security: A major system breach, denial of service, cyber-security attack, or data loss involving personal and financial records the risk score reduced from 20 to 16.
* Welsh Language: Unable to achieve the University's target, the risk score remained at 20.
* Serious Student Mental Illness: The University fails to respond appropriately to students displaying signs of serious mental distress/illness resulting in student death or other serious incident. The risk score for this remained at 20.
* Trans National Education (TNE) provision: Possible issues with academic quality, fraud/corruption, unethical behaviour and/or behaviour in contradiction to the University's values the risk score reduced from 20 to 16
* Research and Innovation Income: Unable to achieve the University's target. The risk score increased to 20.
* Estate: insufficient teaching space for 2023/24 in March 2022 the risk score was 20.
* Industrial Action: Strike action and Action short of striking (ASOS) the risk score was 20.
* Poor International student fee debt recovery: results in financial instability the risk score was 25.

In addition, a research report was received from PwC on managing risk in the HE sector in November 2022, which set out current risks and trends.

## Financial Interests of Governors & Senior Staff

At the start of the academic year, a full and comprehensive annual review took place of the Register of Interests for all Governors as well as senior staff. The University’s governance team maintained this record throughout the year. No issues of concern were identified from any declarations or activity.

## Losses

The Committee received regular, routine reports at each meeting and was satisfied that losses remained minimal for an organisation of this size.

# Opinion

The Audit Code of Practice requires the provision of the Audit Committee's opinion, drawing on the work of Internal and External Audit and other related work, on the extent to which the Board of Governors in discharging its responsibilities may rely on the University's risk management, internal control system and governance arrangements. In this context the Audit Committee believes that the University’s arrangements for control and governance and its internal and external audit functions are appropriate and effective and may be relied upon by the Board of Governors in its management of the achievement of corporate objectives.

A further requirement is for the Audit Committee to provide an opinion on the adequacy and effectiveness of the University's arrangements for economy, efficiency and effectiveness. In this regard, drawing on the work of Internal and External Audit and the Procurement and Finance Units, advice received from the Funding Council and other related activity, the Audit Committee is of the opinion that Cardiff Metropolitan University has satisfactory arrangements to provide the required level of economy, efficiency and effectiveness.

Scott Waddington  
Chair of Audit Committee

20 November 2023

# Appendix 1

**Committee Terms of Reference:**

**AUDIT COMMITTEE**

Reports to: the Board of Governors

Occurrence: 3 meetings a year, with additional meetings scheduled as required (including informal meetings around agreed topics)

*Terms of reference last reviewed: 9 November 2020; last revised: 2 December 2020; and next due for review: November 2022*

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| Members:  Scott Waddington (Independent Governor/Chair)  Adrian Piper (External Co-opted member/Vice Chair)  Menai Owen-Jones (Independent Governor)  Matthew Tossell (Independent Governor)  Lisa Winstone (External Co-opted member)  Quorum: 3 members, at least 2 of which must be Independent or Co-opted Governors | In attendance:  University Secretary and Clerk to the Board of Governors  Head of Governance and Deputy Clerk to the Board of Governors  Chief Officer (Resources)  Internal Audit  External Audit  Head of Strategy/Risk and Compliance Analyst  Deputy Directors of Finance (x2)  At the discretion of the Chair other University officers, as may be appropriate, shall be invited to attend meetings |

Remit:

The Audit Committee provides the Board of Governors with assurance regarding the University’s checks and balances, as well as considering emerging threats. The Committee has the power to act independently as set out in the operations.

On behalf of the Board of Governors, the Audit Committee’s purpose is to oversee the effectiveness of the University’s risk management, control and governance arrangements, including whistleblowing; the effectiveness of the arrangements to promote economy, efficiency and effectiveness; internal and external audit arrangements; the audit aspects of the University’s financial statements; and to scrutinise whether ethical and value for money arrangements have been considered in the University’s investments and procurement.

Terms of reference:

1. To consider and have authority to approve on behalf of Board:
   1. The nature and scope of the External Audit;
   2. The Internal Auditors’ audit risk assessment, strategy and programme;
   3. Approval of the use of External Advisers for non-audit work;
   4. Related to (c), the policy around the balance of non-audit consultancy work undertaken by the external auditors for the University;
   5. The performance of the External and Internal auditors;
   6. Oversee effective arrangements for whistleblowing process, including an appropriate assurance framework to provide objective scrutiny
   7. The implementation of agreed audit-based recommendations, from whatever source;
   8. Any other policies relating to matters within the Committee’s purview, unless covered elsewhere in these terms of reference, or which fall within the remit of another Committee of Board.
2. To consider and recommend for Board approval:
   1. The appointment or reappointment of the External and Internal auditors;
   2. Adoption of the annual statement of accounts, bringing to Board’s attention areas of repeated poor compliance with policies and procedures;
   3. Significant risks identified via Internal Audit investigations and management’s response;
   4. Adequacy of risk management arrangements through the annual report;
   5. Other appropriate audit reviews not conducted by the External or the Internal auditors, but which have implications for the institution’s risk management, control and governance arrangements;
   6. Any other issues relating to matters within the remit of the Committee.
3. To receive reports for information and advise Board and/or the Vice-Chancellor as appropriate on:
   1. Any revisions to the relevant University policies;
   2. Any revisions to the University’s Financial Regulations, which shall be proposed and/or considered in the first instance by the Resources Committee;
   3. Any matters progressed under relevant University policies, normally once the applicable investigations have concluded;
   4. Any relevant reports from Audit Wales, HEFCW and other organisations.

Operation

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to cooperate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice, via the Clerk to the Board, and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the Vice Chancellor and/or the Chair of Board of Governors.

The Committee will review the audit aspects of the draft annual financial statements. The Committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the Board.

The Committee will prepare its annual report covering the University’s financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Chair of the Board of Governors and the Vice-Chancellor, and will summarise the activity for the year. It will give the Committee’s opinion of the adequacy and effectiveness of the University’s arrangements for the following:

* risk management, internal control and governance;
* economy, efficiency and effectiveness (value for money); and
* management and quality assurance of data used and submitted for regulatory purposes.

The opinion on these matters will be based on the information and assessments presented to the Committee by the auditors and by the University management.

# Appendix 2 – Internal Audits 2022/2023

1. Student Recruitment, Admissions & Marketing
2. UK Visa & Immigration Requirements (UKVI)
3. International Students UKVI
4. Strategic Control
5. Student Wellbeing & Mental Health
6. Equality, Diversity & Inclusion
7. Educational Partnerships
8. Human Resource Management
9. Communications
10. Risk Management – Mitigations
11. General Ledger & Fixed Assets
12. Purchases & Payments
13. Payroll
14. Higher Education & Funding Data
15. Estates Strategy
16. NSS