

## Report from the Risk and Audit Committee

Board's primary role in relation to this paper:

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

### Purpose

1. The board is kept informed of the work of its Risk and Audit Committee (RAC) by receiving a report on the outcomes of each meeting. The most recent meeting of the committee was on 26 September and so an oral report will be given at the 9 October board meeting. A written report of the RAC meeting will be provided at the December board meeting.
2. This paper provides the board with the RAC annual report and formal opinion for 2023-24. This report would normally have been included in RAC's report to the July board meeting. However, there was a dependency on the conclusion of the process for publication of the 2023-24 Annual report and Accounts. This was not published until the end of July 2024 due to a number of factors, including the general election.

### Recommendations

3. The board is invited to:
  - a. Receive the oral report of the Risk and Audit Committee.
  - b. Note the committee's annual report and formal opinion for 2023-24 at Annex A.

### Paper publication

4. To be published externally along with the board papers (shaded sections exempt from publication).

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## Annex A

### Office for Students Risk and Audit Committee Annual report 2023-24 (covering the period 1 April 2023 to 31 March 2024)

#### 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 for our work in 2024-25.

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. We have monitored the following risks in particular:

Data quality: There were significant issues with Jisc’s delivery of the Data Futures programme and the committee was updated on progress on a weekly basis from late September to early December when it became clear that the level of risk was escalating, and then at key points during the lead up to the final closure of the collection on 12 January 2024, and beyond while the OfS worked with Jisc to assess data quality in the areas most significant for the OfS’s onward uses of the data.

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#### Business of the committee

##### Risk management

The positive results of the review of risk management carried out in early 2024 by the Head of Internal Audit concluded that the OfS’s risk management processes continue to operate effectively with evidence of continuous improvements and ongoing refinements to the system. At our meeting in March 2024, 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 found that the management of strategic risks, particularly cross-cutting risks, needs to embed within the new executive operating model.

The committee has continued to consider the OfS’s risks, risk appetite and tolerance at each of its meetings, and to provide our assurance to the board on the process undertaken to identify them.

At each of our meetings we receive 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. Twice a year we review the assurance map, which gives us detailed information about the assurance for each risk. Alongside our own discussions on risk, we remain confident that there is thorough and challenging consideration of the risk register by directors, and regular engagement by the board on the OfS's high-level strategic risks.

We continued our programme of deep dives, looking at people risk, IT and cyber security and student interest. These deep dives give 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 range of risk areas.

### Delivery of Data Futures

In fulfilling our ongoing commitment to the OfS board, we have continued our oversight of Jisc's delivery of Data Futures, and a member of the committee was on the Quarterly Review Group. At our September 2023 meeting, we learnt that the risk in relation to provider readiness to make quality data submissions to the collection of the 2022-23 Student data by the final sign-off deadline of 20 October 2023 had increased. There were concerns from the sector that despite good intentions, providers felt the timetable was too tight to deliver the appropriate quality of data. These concerns stemmed, in large part, from instability in the Jisc data platform and incomplete quality rules and data quality toolkits. Constraints of the products delivered by the sector's student record software suppliers and under-preparedness of some providers were also contributing factors.

We were supportive of the series of decisions made by the executive team to extend the sign-off deadline for all registered providers and the mitigations put in place to ensure, as much as possible, the data used from this student data collection is sufficiently robust (such as requiring providers where there were concerns about data quality at the point of sign-off, to submit amendments to data between January and April 2024).

We were kept informed of the additional risks arising from the implementation of Data Futures by the Director of Resources and Finance on a weekly basis from 22 September to 1 December 2023 and then at key points in the lead up to the final closure of the collection. We also discussed progress at our meetings on 7 December and 6 March. The implications of the challenges include consequential extensions to related deadlines for operation of the Graduate Outcomes (GO), the National Student Survey (NSS) and the HESSES23 return, and modification of expectations about how providers would project student data in Annual Financial Returns in January 2024.

We also supported the executive's decision that the implementation of in-year submission of data will not go ahead for 2024-25 Student data collections for providers in England, and so will not take place until an independent review of the issues with Jisc's delivery of the Data Futures programme has been completed. We are in accord with the executive's view that the pause to in-year returns is important to give the sector time to rebuild confidence in the model for student data collection and to ensure that any further changes can be delivered effectively by Jisc.

### Protecting public funding

At our meeting in June 2023, we were apprised of the NAO investigation into Student Loans Company (SLC) funding for study at franchised higher education providers. We continued to receive updates on this risk, particularly in relation to the role that the OfS should play in order to support prevention of fraud. Following the publication of the NAO report in January 2024, we

sought assurance on the management of this risk, noting that primary responsibility for assurance of SLC funding does not rest with the OfS and the mitigations are shared with the SLC and the DfE. We noted the commitment from the OfS executive to address the recommendations in the NAO report and in the report following the inquiry of the Public Accounts Committee. We also noted the need for new primary legislation if the OfS is to take on the lead role in investigating and addressing concerns about the potential misuse of SLC funding at the pace needed for rapid interventions to protect that funding.

Based on 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 2023-24. 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 reviewed and reported on the following:

- Freedom of information
- Financial controls (accounts payable and receivable)
- Cyber board reporting
- Grants management
- Risk management
- Governance of quality and standards assessment

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. **Exempt from publication.**

We receive regular updates from the Head of Internal Audit on progress made by the executive in implementing internal audit recommendations. We noted several delays in relation to the completion of some recommendations, and we requested a review of the process for recommendations to be agreed and progress of actions to be monitored. We were assured that the process is now strengthened, with all actions and deadlines formally approved by the executive, with timeframes that are realistic. As a result of this strengthened process, the committee is satisfied that actions can be completed to deadline.

**Exempt from publication.**

### **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

Our overall opinion for the period 1 April 2023 to 31 March 2024 is that ‘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 to provide its audit opinion to Parliament, rather than to the OfS board. The NAO operates externally to the OfS and offers the committee an independent view.

Following our discussion of the audit outcomes, the 2022-23 accounts were approved by the OfS chief executive and Accounting Officer and were published in June 2023.

In relation to the OfS’s 2023-24 financial statements, we discussed the NAO’s interim management report at our meeting in March 2024. At our meeting on 6 June 2024, we discussed the draft audited accounts and heard an update from the NAO about the progress of their audit. On 15 July we received the NAO’s completion report with its unqualified audit opinion, without modification in respect of both regularity and the true and fair view on the financial statements.

Based on this information and our discussions with the NAO, the committee recommends the 2023-24 annual report and accounts to the board and to the Chief Executive as Accounting Officer.

## Assurance processes

At our meetings in May 2023, September 2023 and March 2024, 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. Gaps identified through the mapping exercise have played a part in determining the internal audit programme for 2024-25.

As well as through the work of Internal Audit, we 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 additional information security incidents 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 to mitigate existing and future cyber risks.

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.

The committee values the open and comprehensive update provided by the chief executive at every meeting, and the assurance it provides. The update covers a range of issues relating to the

OfS and its work, including regulatory activities, the House of Lords Industry and Regulators Committee inquiry and developments within the OfS.

### 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 until August 2023	Resigned August 2023	1/1
Katja Hall (chair)	OfS board member and committee chair from September 2023	Appointed to the board until 31 December 2025	4/4
Martyn Oliver	OfS board member	Resigned December 2023	3/3
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	4/4
Satish Jeram	Independent member	Reappointed to the Committee until 31 October 2027.	4/4

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, the Director of Resources and Finance and the Director of Strategy and Delivery attend all meetings to assist the committee in carrying out its duties. 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

In late 2023 we undertook a review of our own effectiveness, also taking into account the views of our stakeholders and a selection of board members. The results of the review were largely positive and we will use the learning points to strengthen our work in the coming year.

### Future work of the committee

In 2024-25, 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.
- Undertake horizon scanning for risks
- Oversee assurances related to the protecting public funding risk following the NAO investigation and PAC inquiry
- Take account of the findings of the independent review of the delivery of Data Futures
- Oversee the mitigation of the 'sector relationship' risk
- Undertake training in cyber security
- Induct two independent members to the committee and induct board members of the committee following the appointment of new board members by the Secretary of State for Education
- Carry out any additional work requested by the board
- Carry out the annual review into our own effectiveness as a committee.

### **Risk and Audit Committee formal opinion**

Our formal opinion for 2023-24 is provided below. This will be published in the OfS's annual report and accounts for 2023-24.

#### **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.

Exempt from publication. 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.