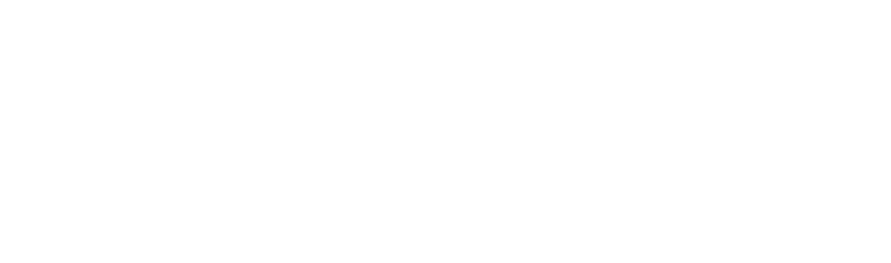
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| Cardiff Metropolitan University |
| Audit Committee Annual Report |
| Academic Year 2023-24 |

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| Approved by: Waddington, Scott  November 2024 |





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 2023 to 31 July 2024; it also includes any significant issues which have arisen up to the date of the report (November 2024). The report has been endorsed by members of the Audit Committee for presentation to & approval by the Board of Governors, and subsequent submission to Medr.

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 2023-24 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

Three meetings were held during the 2023-24 academic year:

* 20 November 2023
* 18 March 2024
* 24 June 2024

Representatives of the Internal Auditors, External Auditors, and the University’s Executive Group (**UEG**) 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 20 November 2023 as appropriate for the business year 2023-24.

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.

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 2023-24 were TIAA. TIAA’s contract started on 01 August 2021 and ran for an initial three years until 31 July 2024. The Committee extended this contract for a further two years on 24 June 2024, bringing TIAA’s current contract to an end on 31 July 2026.

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

TIAA carried out 18 internal audits during 2023-24. These are listed in Appendix 2 – Internal Audits 2023-2024. To close the internal audit plan for 2023-24, the Audit Committee received the final report via email on 23 August 2024, following a delay in receipt due to a TIAA staffing issue.

A total of 77recommendations were raised – 2 urgent, 34 important, and 41 routine.

## Internal Audit Annual Report

The Internal Audit Annual Report 2023-24 was presented at the 24 June 2024 meeting of the Committee.

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 2024 meeting, it was noted that there was 1 outstanding recommendation from 2022-23, and 7 ongoing recommendations from 2023-24. The Deputy Director advised of no concerns in completing these recommendations.

# External Audit, and the Annual Report & Financial Statements

## External Auditors

The University’s External Auditors were Price Waterhouse Coopers (**PwC**). PwC’s contract started on **12 December 2022** and runs for an **initial three years until 11 December 2025**.

## Annual Report & Financial Statements, and External Audit Findings 2022-2023

On 20 November 2023, the Committee received the 2022-2023 Annual Report and Financial Statements for the year ended 31 July 2023. The Annual Report was presented in a new style bringing it up to date with modern standards, as well as complying fully with the Wales Governance Review. 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, achieving a turnover at £153.2m (2021-2022: £137.2m).
* The University achieved a cash surplus of £16m and cash on deposit of £55.2m.
* The financial KPI for staff spend as a percentage of income remained under 60% (on a cash basis) at 58.9%, and on a non-cash basis 60.8%.
* The COR highlighted that whilst 2022-23 had been strong for the University, a continued trend of the last few years, the 2023-24 financial year was looking very different due to a shortfall in the recruitment intake targets by approximately 1,000 students.

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 2023-2024

## In June 2024 the Committee received the External Auditors’ proposals for the External Audit for 2023-24. The External Audit would be conducted in accordance with the relevant requirements in the auditing standards including the International Standards on Auditing and the Audit Code of Practice set out in the HEFCW Financial Management Code.

There had been no change to the significant risks. However, the ‘going concern’ risk had increased due to the University’s deteriorating cash surplus position, which had the effect of putting the University at risk of breaching its financial covenants.

# Other Items of Business

## Policy Development and Review

The Committee reviewed three policies in 2023-24, these were reviewed as part of a standard review cycle:

1. Risk Management Policy

The policy was designed to outline a consistent approach to risk across the University. There were no significant changes to the policy, the language had been simplified and the risk appetite and tolerance statement had been separated.

1. Anti-Money Laundering Policy

At the last review of the policy there had been a complete re-work of the policy. However, this update focused on strengthening the identification of anti-money laundering risk and added clarity. Another review may be needed before the end of the three-year review cycle due to the new Economic Crime Act.

1. Anti-Bribery Policy

The policy had been completely re-written using BUFTA guidance on best practice. This policy would also need revising due to the new Economic Crime Act.

## 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 signed off the draft Modern Slavery and Ethical Supply Chain statement 2022-23 in November 2023, to accord with the required statutory timeframe for approval and publication. The final version was also received by the Committee in March 2024.

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 2023. 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.

There were no incidences of whistleblowing in 2023-24.

## 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.

In June 2024 there were 23 risks included in the risk register:

There were 9 red risks post-mitigation.

1. Financial sustainability
2. International student recruitment
3. Estate
4. Student Lifecycle Project
5. UKVI
6. Student retention
7. IT cyber security
8. Home student recruitment
9. Environmental sustainability

There were 14 amber risks post-mitigation:

1. Staff capacity
2. Staff wellbeing
3. Student engagement and satisfaction
4. Overseas partnerships
5. Student welfare
6. Research and innovation income
7. Reputation management
8. Regulation and governance requirements
9. Artificial intelligence / digital
10. Civic mission
11. Major incident
12. Cultural change
13. REF 2029
14. Wales’ Sporting University

## 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.

As part of the Committee’s oversight, it also annually receives a report on the Gifts & Hospitality declarations made by both Members of the Board of Governors, and all members of the Executive, and Academic Board members. This is considered with reference to the University’s Anti-Bribery, Anti-Money Laundering and Counter Fraud and Corruption Policies.

## Losses

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

## Major Incident

The Audit Committee were made aware of a major incident involving the University’s operations overseas. All required notifications to regulators were sent and the Committee was satisfied with the way the situation was handled.

# 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**

**18 November 2024**

# Appendix 1

**Committee Terms of Reference 2023-24:**

**AUDIT COMMITTEE**

1. Key Information

Reports to: The Board of Governors

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

1. Membership, Quorum, & Attendees
   1. Quorum: 3 members, at least 2 of which must be Independent or Co-opted Governors
   2. Members & Attendees

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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)  *[no vacancies]* | Attendees  University Secretary  Head of Governance and 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.* |

1. 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.

1. Terms of Reference
   1. To consider and have authority to approve on behalf of Board:
2. The nature and scope of the External Audit;
3. The Internal Auditors’ audit risk assessment, strategy and programme;
4. Approval of the use of External Advisers for non-audit work;
5. Related to (c), the policy around the balance of non-audit consultancy work undertaken by the external auditors for the University;
6. The performance of the External and Internal auditors;
7. Oversee effective arrangements for whistleblowing process, including an appropriate assurance framework to provide objective scrutiny
8. The implementation of agreed audit-based recommendations, from whatever source;
9. 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.
   1. To consider and recommend for Board approval:
10. The appointment or reappointment of the External and Internal auditors;
11. Adoption of the annual statement of accounts, bringing to Board’s attention areas of repeated poor compliance with policies and procedures;
12. Significant risks identified via Internal Audit investigations and management’s response;
13. Adequacy of risk management arrangements through the annual report;
14. 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;
15. Any other issues relating to matters within the remit of the Committee.
    1. To receive reports for information and advise Board and/or the Vice-Chancellor as appropriate on:
16. Any revisions to the relevant University policies;
17. Any revisions to the University’s Financial Regulations, which shall be proposed and/or considered in the first instance by the Resources Committee;
18. Any matters progressed under relevant University policies, normally once the applicable investigations have concluded;
19. Any relevant reports from Audit Wales, HEFCW and other organisations.
20. 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 2023-2024

1. Pensions
2. UUK Student Accommodation
3. Treasury Management and Banking
4. Conflicts of Interest and Whistleblowing including Anti-Fraud Controls
5. Welsh Language Standards
6. Performance Management
7. ICT and Digital Strategy
8. IT Continuity Plans, Service Desk, and Incident Management
9. Staff Wellbeing
10. HE Funding Data
11. Risk Management – Mitigations
12. Freedom of Information
13. Data Quality
14. Sustainability and Carbon Reduction
15. Quality Assurance
16. Income and Debtors (including Accommodation and Tuition Fees)
17. Overseas Recruitment
18. Follow-up Year End