



UNIVERSITY OF EXETER

AUDIT COMMITTEE MINUTES

A meeting of the Audit Committee was held on 1 November 2021 via Teams at 10:00-13:00hrs.

Agenda

- 1 Private Session with the Auditors
- 2 Welcome and Declarations of Interest
- 3 Minutes of the Meeting 30 September 2021 (AUD/21/63) and Matters Arising
 - Rescheduling March meeting
- 4 Terms of Reference and Objectives (AUD/21/64)
- 5 Draft Annual Financial Statements:
 - The Draft Annual Report and Financial Statements of the University for the year ended 31 July 2021 (AUD/21/65)
 - Value for Money Report (AUD/21/66)
 - The External Auditors' Highlights and Management Letter in Respect of the University's Financial Statements for the Year Ended 31 July 2021 (AUD/21/67 and 67A)
- 6 Annual Report of Audit Committee 2020/21 – Final Version (AUD/21/68)
- 7 Internal Audit Update:
 - Project Report (AUD/21/69)
Including overdue actions management update
- 8 Risk Management
 - Update Report (AUD/21/70)
- 9 Finance T1 System Presentation
- 10 Chair's Closing Remarks

Part II Papers

- Annual Student Cases Report (AUD/21/71)

Attendees

Members:

Gerry Brown (Chair)	Independent Member
Nicholas Cheffings	Independent Member
Graham Cole	Independent Member
David Dupont	Co-Opted Member
Simon Enoch	Co-Opted Member
Alison Reed	Independent Member

In attendance:

Andrew Connolly	Chief Financial Officer
Susan Fallon	Interim Deputy Secretary to Council (Minutes)
Donna Fitzgerald	Deputy Director of Operations and Procurement (item 9 only)
Christopher Lindsay	Director of Compliance, Governance and Risk
Kate Lindsell	Head of Compliance (item 8 only)
Seb Mills	Head of Finance Systems (Item 9 only)
Mike Shore-Nye	Registrar and Secretary
Tracey Tuffin	Interim Insurance, Audit and Risk Manager
Joe Wall	Assistant Director of Finance
Alison Breadon	PWC, Internal Audit
Matthew Elmer	PWC, Internal Audit
Rees Batley	KPMG, External Auditor
Isabel Geerlings	KPMG, External Auditor
Duncan Laird	KPMG, External Auditor

Apologies:

Professor Clive Ballard	Pro-Vice-Chancellor, College of Medicine and Health
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Actions summary:

Item	Action Summary	Owner	Progress
3	A redraft of the minutes of the Committee on 30 September 2021 to be provided to the Chair for approval.	Secretariat	Completed
4	Adjust the wording of item (h) for the 2021/22 Audit Committee Objectives.	Secretariat	Completed
4	Add the tender of the external audit to the 2021/22 Audit Committee Objectives.	Secretariat	Completed
5	The CFO to consider the comments from the Committee and provide a further draft of the Annual Report and Financial Statement to Council via BoardPacks.	CFO	Completed
5	KPMG to share their framework for climate related financial disclosures with the CFO to consider for next year.	External Auditor	
6	Director of Governance, Compliance and Risk to make suggested amendments to the Annual report of Audit Committee and provide to Council with the draft Annual Report and Financial Statements via BoardPacks.	Director of Governance, Compliance and Risk	Completed
7	Propose to the Vice Chancellor that reports of internal audit go to UEB.	Register and Secretary	
8	Closed Minute	Register and Secretary	

1 **Private Session with the Auditors**

2 **Welcome and Declarations of Interest**

Apologies were received from the Pro-Vice-Chancellor, College of Medicine and Health. There were no additional declarations of interest.

3 **Minutes of the Meeting 30th September 2021 (AUD/21/63) and matters arising**

There was some concern with the minutes of the meeting of 30th September 2021 and amendments were sought. A new draft of the minutes would be provided to the Chair for approval.

Matters Arising on the Minutes

The remainder of the actions from the last meeting minutes were discussed briefly and considered completed or covered in items on the day's agenda.

It was agreed to reschedule the meeting in March 2022 to accommodate diary changes.

ACTION: A redraft of the minutes of the Committee on 30 September 2021 to be provided to the Chair for approval.

4 **Terms of Reference and Objectives (AUD/21/64)**

There were two suggested changes to the terms of reference and objectives for the committee:

- I. That "there is strong student voice at the meetings of the committee" seemed to be misleading. Whilst the student voice in university governance is strong via Council membership, annual planning meeting with the student bodies, and monthly meetings with the Executive, any further requirement on student leader's engagement with Audit Committee is putting too many demands on their time. Adjustment to the wording should be brought to the next meeting.
- II. As the External Audit tender would be next year this should be added to the objectives of the Committee.

ACTION: Adjust the wording of item (h) for the 2021/22 Audit Committee Objectives.

ACTION: Add the tender of the external audit to the 2021/22 Audit Committee Objectives.

5 **Draft Annual Financial Statements**

The Draft Annual Report and Financial Statements of the University for the year ended 31 July 2021 (AUD/21/65)

The Committee discussed the first draft of the Annual Report and Financial Statements. Issues raised were:

- I. "The internal auditor's opinion for 2020/21 was generally satisfactory with some improvements required" – the 'improvements required' should be addressed in the annual report and referenced there.
- II. Concern that the Vice Chancellor's report is over positive, not fair and balanced.

- III. Graduate Apprenticeships should be included in the positive results for the university.
- IV. The section on risk is lacking reference to the NSS and student experience.

The Committee had an in-depth discussion on Environment, Social and Governance (ESG) reporting by the university. Whilst there is no standard reporting for ESG in the sector currently, the Chair challenged the university to lead in this area. Activities such as freedom of speech, academic freedom and the Provost Commission could all form part of ESG reporting, alongside the environmental reporting that the university has in place. Furthermore, the university's governance documentation and the requirements of the Office for Students on commitments to stakeholders could also form part of ESG reporting. The challenge remains the lack on international reporting standards, with nothing mandated for universities and with some firms promoting competing ideas and frameworks, such as that of KPMG.

The next draft of the Annual Report and Financial Statements would be circulated via BoardPacks to the Committee and all Council members for further comments. The final report would be brought to the Council meeting on 9 December 2021 for approval.

ACTION: The CFO to consider the comments from the Committee and provide a further draft of the Annual Report and Financial Statement to Council via BoardPacks.

ACTION: KPMG to share their framework for climate related financial disclosures with the CFO to consider for next year.

Value for Monday Report (AUD/21/66)

The CFO introduced the Value for Money (VFM) report which is produced solely for the Audit Committee.

Closed Minute

Profitability of teaching (home students) at Exeter has dropped more than that of the peer group. This is in part due to the greater proportion of home undergraduate students Exeter has and therefore increased exposure to the real-terms decline in the value of the home undergraduate tuition fee.

Again the issue of over stating the positives of the business was raised and the Committee asked for leading indicators for VFM indicators, such as connections to the NSS activities. The Committee also asked for examples of what is specific to Exeter, these explanations and analysis should form part of future VFM reports.

Closed Minute

The External Auditors' Highlights and Management Letter in Respect of the University's Financial Statements for the Year Ended 31 July 2021 (AUD/21/67 and 67A)

The external auditors reported that the audit had been a smooth process, with good discussion and challenge. It is near completion and likely to sign off with an unqualified audit opinion.

The main issue had been pension liabilities and for this KPMG had used their specialist actuaries to review it and had found no issues to report. Exeter's assumptions on the ERBS liability could be interpreted as a little optimistic but well within range. The audit had also spent considerable time reviewing revenue recognition for research income.

Full details of the audit findings were presented in page 5 of the KPMG Year end 2020/21 report and were verbally presented to the committee by the lead auditor. Importantly the university has been assessed to be a going concern.

The Committee noted other consultancy services KPMG provide to the university and due to the fees for these services being low in relation to the audit fee the Committee felt there was no independence risk.

The Committee raised bribery issues and were reassured by the auditors that testing had been undertaken in this area and from an external audit viewpoint there was no concerns.

The Chair noted that a satisfactory audit along the lines of the KPMG report is not something an organisation can take for granted and he congratulated the CFO on a well organised, well-run system and robust strong finance environment. The CFO noted the contribution of the Assistant Director of Finance and the whole Finance team.

6 Annual Report of Audit Committee 2020/21 – Final Version (AUD/21/68)

The Committee noted this report is no longer required to be submitted to the Office for Students. More detail had been provided, as previously requested, on pensions, the HESA student return, and the role of Audit Committee; with these updates the final document would therefore be approved and provided to the Council with the draft Annual Report and Financial Statements.

ACTION: Director of Governance, Compliance and Risk to provide the draft Annual Report of Audit Committee to Council with the draft Annual Report and Financial Statements via BoardPacks.

7 Internal Audit Update

Progress Report (AUD/21/69)

The internal auditors provided a summary of activities since the last meeting of the Committee, stating that there had been satisfactory progress against the 2021/22 internal audit plan. Paper AUD/21/69 in the meeting pack provides a full progress update and follow up work on overdue actions. There has been one change to the internal audit plan: the Industrial Partnerships review will be delayed from quarter 2 to quarter 4 due to current recruitment to senior roles in this team.

The Committee noted the report.

The Committee discussed at length the importance of monitoring and reviewing outstanding internal audit actions. The Registrar and Secretary informed the Committee that two weeks before Audit Committee meetings he meets with all the Directors responsible for outstanding actions. He assured members that colleagues recognise the importance of internal audit, but he is aware more work needs to be done to remind them of the benefits and to provide the time and resources to deal with

outstanding actions. Other suggestions were to consider bringing outstanding actions to the University Executive Board (UEB) meetings.

The UK bribery act was raised and the Committee proposed that it would be considered for next year's internal audit programme.

ACTION: Register and Secretary to propose to the Vice Chancellor that reports of internal audit go to UEB.

8 Risk Management

Update Report (AUD/21/70)

The Director of Compliance, Governance and Risk presented to the Committee an update on key and emerging corporate risks. The First risk report of 2021/22 would be provided to the Council meeting on 9 December 2021 and it was noted the report provided to this meeting is an early iteration and there is an ongoing process of consulting with risk owners to ensure that the representation is accurate. He noted that meetings have been held with all owners of overdue management actions and work plans to complete these have been submitted.

Closed Minute

It was reported that the Council risk blank paper exercise had showed strong alignment but also a need to further articulate risk in some areas.

Closed Minute

The Head of Compliance informed the Committee that the review of Health and Safety standards had been completed and timelines and policies updated as a result. Responding to the internal audit agreed actions the aim is now to build a university wide digital system for Health & Safety standards; provide additional resource to the team to expand the programme to focus both on topics (horizontal audit) and colleges and Professional Services (vertical audit). It was noted the Health & Safety team have a backlog of actions due to the pandemic, to respond to this a plan will be presented to the Dual Assurance meeting this month to start in December 2021.

The Director of Compliance, Governance and Risk updated the Committee on the internal audit action on commercial lease tracking which is still progressing but is well past its original deadline.

The excellent work on cyber security was noted and the Interim CIDO was congratulated; and the Committee expressed it thanks Simon Enoch for his contribution to this important work.

ACTION: Risk Dual Assurance to review student experience risk status.

9 **Finance T1 System Presentation**

The Deputy Director, Finance Services and Head of Finance Systems joined the meeting to provide the Committee with an update on the Technology One (T1) financial system and the university's development of it. The main problem for users has been for those who use it infrequently. They are supported by a helpdesk and team of subject issue experts. It was noted the new starters adopt to the system very quickly and easily, but there is still implementation hesitation for some staff, the team are constantly reviewing and enhancing internal customer relations.

Closed Minute

The Committee welcomed the update and the focus on continuous improvement and clear progress with the use of T1.

11 **Chair's Closing Remarks**

The Chair thanked the Committee and closed the meeting.