



UNIVERSITY OF EXETER

AUDIT COMMITTEE MINUTES

A meeting of the Audit Committee was held on 24 March 2022 via Teams at 10:00-14:00hrs.

Agenda

1. Private Session with the Internal Auditors
2. Welcome and Declarations of Interest
3. Minutes of the Meeting 01 November 2021 and Matters Arising (AUD/22/01) and Redrafted minutes of 30th September 2021 (AUD/22/02)
4. Audit Committee Objectives Update
5. Risk Dual Assurance review of student experience risk status
6. Annual Report and Financial Statements: narrative reporting (AUD/22/03)
7. Internal Audit (AUD/22/05)
8. External Audit
9. University of Exeter Risk Report 2 (AUD/22/11)
10. Mandatory Training Compliance (AUD/22/12)
11. Procurement Competition Waiver Quarterly Report (AUD/22/13)
12. Audit Provider Procurement
13. Chair's closing remarks

Part II Papers

- National Institute for Health Research (NIHR) Audit Summary 2020/21 (AUD/22/14)
- University of Exeter Compliance Committee Minutes (AUD/22/15)

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:

Nathan Burden	Director of IT Services (item 7 only)
Andrew Connolly	Chief Financial Officer
Susan Fallon	Interim Deputy Secretary to Council (Minutes)
Donna Fitzgerald	Deputy Director of Operations and Procurement
James Hutchinson	Interim Director of Education and Student Support (item 7 only)
Leanne Le Moucheux	Category Manager, Finance Services (item 12 only)
Christopher Lindsay	Director of Compliance, Governance and Risk
Kate Lindsell	Head of Compliance (item 8 only)
Mike Shore-Nye	Registrar and Secretary
Gareth Stansfield	PVC (Interim), College of Social Sciences and International Studies
Tracey Tuffin	Interim Insurance, Audit and Risk Manager
Joe Wall	Assistant Director of Finance
Alison Breadon	PwC, Internal Audit
Catherine Bru	PwC, Internal Audit
Matthew Elmer	PwC, Internal Audit
Rees Batley	KPMG, External Auditor
Isabel Geerlings	KPMG, External Auditor
Duncan Laird	KPMG, External Auditor

ACTIONS:

Agenda item	Action	Responsible Officer	Deadline
7	Audit Committee requested a paper detailing the IT capacity and skills gaps and the plan to address these gaps.	Director of IT	
7	Audit Committee requested the Director of IT Services to consider roles that might need a stronger element of security accreditation.	Director of IT	
9	The Director of Compliance, Governance and Risk to discuss the high amber rating of the Climate Emergency risk with the risk owner	Director of Compliance, Governance and Risk	Audit Committee meeting 27 June 2022
9	Audit Committee to receive assurance that the University Strategy risk green rating accurately reflects the level of risk	Director of Compliance, Governance and Risk	Audit Committee meeting 27 June 2022
10	Audit Committee to be provided with detail of what type of posts 'Casuals' are within the mandatory training report before approving the recommendations set out in paper AUD/22/12.	Head of People Development	Audit Committee meeting 27 June 2022

1. Private Session with Audit Committee members and the Internal Auditors; with the Interim Deputy Secretary to Council in attendance

Closed Minute

2. Welcome and Declarations of Interest

2.1. The Chair welcomed members, officers and representatives from KPMG and PwC, and noted Professor Gareth Stansfield Interim PVC for the College of Social Sciences and International Studies would be joining the meeting later.

2.2. There were no additional declarations of interest.

3. Minutes of the Meeting 01 November 2021 and Matters Arising (AUD/22/01) and Redrafted minutes of 30th September 2021 (AUD/22/02)

3.1. The Committee approved the minutes of the Meeting 01 November 2021 (AUD/22/01) and the redrafted minutes of 30th September 2021 (AUD/22/02).

3.2. The Chair reported that the actions of the previous meetings were completed or in progress.

4. Audit Committee Objectives Update

4.1 The Committee noted the updated objectives.

5. Risk Dual Assurance review of student experience risk status

Closed Minute

6. Annual Report and Financial Statements: narrative reporting (AUD/22/03)

6.1. The Chief Financial Officer (CFO) highlighted the increasing complexity and rapidly developing narrative reporting in university and corporate annual reports. The CFO noted the difference in requirements for corporate and university reports and whilst not required to, the University aimed to adopt some corporate reporting requirements, in particular those around climate issues.

6.2. The External Auditors noted that there is no expectation that the Office for Students (OfS) would require universities to undertake the Environmental, Social and Governance (ESG) reporting required of corporate bodies. However, the Registrar and Secretary and CFO both agreed that expanding the University's ESG reporting would be in the best interests of the institution going forward.

7. Internal Audit

7.1. The Internal Auditors provided a progress report (AUD/22/05) to the Committee, noting their thanks to university staff for their support. They stated that since the production of the report the Data Returns (Student HESA) review form 2020/21 had now closed. The Internal Auditors stated that progress is not yet at the pace they would like and they would be adding visibility of the responsible staff member for audit actions, and the responsible officer, for future reports.

- 7.2. The Internal Auditors provided updates on:
- 7.3. Debt Management - final report (AUD/22/06) - Noting that the controls on tuition fee debts had tipped this into medium risk, there is a need to finalise policy in this area and note on the system when and why policy was not followed for good reasons. Generally the auditors were assured that the actions are being addressed.
- 7.4. Planned Maintenance - final report (AUD/22/07) - This included three areas: Planned Maintenance Budget; Reporting of the programme of planned maintenance activity; and KPI Monitoring and Reporting. The Internal Auditors sought greater transparency of future maintenance requirements in new business cases and a broadening of KPIs to improve transparency and scrutiny. The Internal Auditors had seen detailed action plans that have been put in place and as a result were confident key risks were being addressed. The Registrar and Secretary thanked the auditors for the helpful insights and noted that the University had recently increased the budget for Long Term Maintenance.
- 7.5. IR35 - final report (AUD/22/08) - The Committee noted that this was now classified as low risk and the CFO noted that it had taken a lot of work between Finance and Human Resources to get to this position. The CFO was pleased with the quality of work in this area but noted the need for on-going review. The challenge had been to find a balance between controls needed and being user friendly.
- 7.6. Data Quality (TRAC) - final report (AUD/22/09) - The Internal Auditors congratulated the University on their work in this area and noted that Exeter controls and process were favourable compared to others they work with in the sector.
- 7.7. University of Exeter Outstanding Audit Actions Summary (AUD/22/10). The Director of Compliance, Governance and Risk provided a summary of outstanding internal audit actions relating to risk management and information governance (noting the time table agreed with Council for the risk culture work and the latest update from the Information Governance Manager to the internal auditors) ; and the Interim Director of Education and Student Support and the Director of IT Services joined the meeting to provide an update on progress with outstanding actions within their directorates.
- 7.8. The Director of IT Services summarised present challenges such as staff recruitment; he stated that current recruitment should fill gaps that are needed to action many of the outstanding audit actions. He provided a detailed update on each outstanding action and how they were being addressed. He also informed the Committee of the new governance structure for IT, with the IT Operating Board and IT Governance Group having visibility of and responsibility for the progression of internal audit actions.
- 7.9. The Committee were concerned with a gap in staff and capabilities and sought reassurance that this would be addressed by current recruitment. The Director of IT Services stated that the investment needed was in place and that the University was also investigating partners that could help, including some managed services to be purchased.
- 7.10. **ACTION: Audit Committee requested a paper detailing the IT capacity and skills gaps and the plan to address these gaps.**

- 7.11. The Committee was also concerned with security checks on new IT staff. The Director of IT Services explained the challenge of recruiting staff with specific security accreditations as these accreditations are much sought after and the University would have to compete with government and military recruiters for staff. The internal cyber security threat is well considered by the University and checks are put in place for external and internal recruits for areas of vulnerability.
- 7.12. **ACTION: Audit Committee requested the Director of IT Services to consider roles that might need a stronger element of security accreditation.**
- 7.13. The Interim Director of Education and Student Support provided an update on the three outstanding audit actions under Education and Student Support and the work being undertaken to address them. He noted that action on the information input systems and the Competition and Market Authority requires manual configuration at present and he expected this action to go beyond 12 months.
- 7.14. The Registrar and Secretary reminded the Committee of the effect of the pandemic on the Compliance, Governance and Risk, IT, and Education and Student Support teams; and the enormity of the work undertaken to keep students safe and to flip education online. He thanked the Committee for their patience with outstanding audit actions.
- 7.15. The Registrar and Secretary noted that the internal audit reports, with any key concerns recorded from this meeting, will be taken to a future meeting of UEB. The Chair stated the importance of the senior team having visibility of internal audit actions, and Council having an update from Audit Committee on every agenda.
- 7.16. The Chair thanked the Registrar and Secretary and the directors for their response to the internal audit actions. He also asked how these actions are linked into the new university strategy. It was noted that risk management is aligned to the University strategy creation in the new risk culture work and the University is making the ability to link between risk identification and the corporate strategy a requirement of the digital risk system.

8. **External Audit**

- 8.1. The External Auditors provided a brief update on the sector (AUD/22/16) and noted that the Committee's agenda covered the items they would expect. They noted that they are seeing significant digital transformation programmes in the sector at the moment and have seen costs rise rapidly for this area. They reported no concerns with the University.
- 8.2. The External Auditor reported that Exeter is 'average' within the Higher Education Financial Statement Benchmarking 2020-21 (AUD/22/17), and nothing stood out as an area of concern.
- 8.3. The CFO noted the opportunity for Exeter within the Russell Group: Exeter's international fees as a percentage of income is below peers. He also noted that Exeter in comparison to the Russell group had a staff costs ratio that was above the median, and moving further away from it. Exeter was below the median on cash flow, EBIT and levels of debt. However he pointed out that this is very high level macro metrics from which it was hard to derive insights; but the Vice Chancellor has planned for the senior team to review these and the TRAC data to see if there are insights that can be gained.

9. University of Exeter Risk Report 2 (AUD/22/11)

9.1. The Director of Compliance, Governance and Risk introduced the second corporate risk report of 2021/22. He reminded the Committee that the report gets refined through the Risk Dual Assurance, PSLT and UEB and reflects the new methodology, only reporting College and Professional Service risks when they aligned with corporate risks and there was evidence of clustering of thematic risks. There had not been significant change since the first risk report of the year, with information security remaining the only red risk. This risk had significant mitigation associated with it, but given the significant potential impact of the risk it remained scored at red. The three high amber risks also had substantial mitigation actions.

9.2. The Director of Compliance, Governance and Risk highlighted the new risks on the report that had been identified through various processes including the Council risk blank paper exercise.

9.3. The Committee questioned why climate emergency was rated at high amber. Given the extensive amount of work (including mitigation activity) being undertaken in this area, the Committee requested that the score be reviewed. The Director of Compliance, Governance and Risk agreed to discuss the risk scoring further with the risk owner.

9.4. The Committee acknowledged the need to have inflation as a new risk, especially given the University's reliance on fixed fee income for undergraduate home students. The CFO added that inflationary pressures added impetus to the need for cohort rebalancing as part of the University's new strategy.

9.5. The Committee requested an update on how the war in Ukraine was impacting on the University. The Registrar and Secretary informed the Committee on the work of a silver group that had been established to manage the University's response to the crisis, including student repatriation; the support needed for Ukrainian students on campus; impact of UK government sanctions on the University; and the requests from the OfS and Department for Education to support Ukrainian students, and support for Ukrainian universities. He noted that the University had very few research links with Russian universities or organisations; one ceased immediately as funding has been stopped by UKRI, and the reputational risk was minimal.

9.6. The Committee raised concerns about the green rating for the University Strategy risk and asked for this to be further investigated with the risk owner.

9.7. ACTIONS: (a) The Director of Compliance, Governance and Risk to discuss the high amber rating of the Climate Emergency risk with the risk owner. (b) Audit Committee to receive assurance that the University Strategy risk green rating accurately reflects the level of risk.

9.8. The Dual Assurance independent lead for Risk Management assured the Committee that risk management in the University is not a tick box exercise and has been well developed.

10. Mandatory Training Compliance (AUD/22/12)

10.1. The Director of Compliance, Governance and Risk introduced the report that provides an update to the Committee on mandatory training compliance and sought feedback on the options proposed.

10.2. ACTION: Audit Committee to be provided with detail of what type of posts 'Casuals' are within the mandatory training report before approving the recommendations set out in paper AUD/22/12.

11. Procurement Competition Waiver Quarterly Report (AUD/22/13)

11.1 The Procurement Competition Waiver Quarterly Report was considered and accepted by the Committee.

12. Audit Provider Procurement

12.1. The CFO informed the Committee that the contract for the external auditors, currently with KPMG, would end this year and proposed three options for procuring external audit services to the Committee.

12.2. DECISION: It was agreed that the Crown Commercial Service, an existing framework, would be used to tender a new five year contract for external audit; with a possible provision for +5 years on the contract length.

12.3. The Director of Compliance, Governance and Risk informed the Committee that the contract for the internal auditors, currently with PWC, would end this year and proposed four options for procuring internal audit services to the Committee.

12.4. DECISION: It was agreed that there would be a direct award through the Southern Universities Purchasing Consortium (SUPC) framework to PWC for at least one year further to avoid tendering for internal and external audit services in the same year.

13. Chair's closing remarks

13.1 The Chair noted that the next meeting of Audit Committee is on 5 May 2022 and will be the Strategy and Finance Review meeting, rather than usual business. The Chair thanked the Committee and attendees and closed the meeting.