



AUDIT COMMITTEE MINUTES AND ACTIONS

10 March 2020,
13:00-16:30hrs
Ted Wragg Room, Northcote House, Streatham
Campus

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Audit Committee Meeting

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1.	Chair's Introduction
2.	Minutes of the Meetings of 31 st October 2019 and Matters Arising
3.	Internal Audit Update
4.	Internal Audit Code of Practice
5.	VC's Update
6.	KPMG Audit Plan and Strategy for Year Ending 31 st July 2020
7.	TRAC Data Assurance
8.	USS and the 2 nd Joint Expert Panel Report
9.	T1 Post-Implementation Review Report
10.	NUS Pensions Scheme
11.	Risk Update and Annual Review of Risk Management
12.	Data Assurance Update
13.	Modern Day Slavery Transparency Statement Annual Review
14.	Chair's Closing Remarks

Item	Action	Owner	Progress
Item 2	Simon Enoch to attend Council to discuss Cyber Security	Deputy Secretary to arrange	October's meeting
Item 3	Substantive discussion on sickness rates to be scheduled for the October meeting, including analysis of Covid-19 related illness.	PWC/Registrar	October's meeting
Item 3	Outstanding actions to be reviewed and reported back to the next meeting with explanation of what's been done to address the risks, including whether they are accepted or going to be resolved.	Registrar & Secretary	June's meeting
Item 4	High level modelling of the impact of risk factors to be discussed at the next meeting	CFO	June's meeting
Item 4	Undertake a benchmarking review against the Code and report back to a future meeting	Director, CGR/PWC	tbc
Item 4	PWC to attend a VCEG meeting to raise the profile of IA's work within the Executive.	Registrar & Secretary/PWC	tbc
Item 4	Draft structure for the University's Internal Audit team to be presented to the June meeting	Director, CGR	June's meeting
Item 6	Discuss succession plans for the University's KPMG representative	Chair/CFO	tbc
Item 7	Substantive discussion on industrial partnering to be scheduled for a forthcoming meeting	CFO/DVC (Research)	tbc
Item 7	New Vice-Chancellor to attend the first meeting of the Audit Committee in the next academic year	Registrar & Secretary	September/October meeting
Item 12	Provide insight into the Cubane data at the next meeting	Director, PPBI	June's meeting
Item 15	Detailed analysis of insurance arrangements to be presented to the June or early autumn agenda	Director, CGR	September's meeting

Attendees

Present

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

In Attendance:

Heather Ancient	PWC, Internal Audit
Donna Fitzgerald	Deputy Director, Finance Services (<i>deputising for the CFO</i>)
Jacqueline Hodges	Deputy Secretary to Council (minutes)
Duncan Laird	KPMG, External Auditor
Christopher Lindsay	Director, Compliance, Governance and Risk (CGR)
Charlie Martin	PWC, Internal Audit
Michael Rowley	KPMG, External Auditor
Mike Shore-Nye	Registrar and Secretary

With:

Joff Cooke	CEO, Student's Guild (item 10)
Rob Bending	Finance Officer, Student's Guild (item 10)

Apologies:

Andrew Connolly	Chief Financial Officer (CFO)
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1. WELCOME AND DECLARATIONS OF INTEREST

The Chair welcomed those present to the meeting and thanked the Pro-Vice-Chancellor and Executive Dean for CEMPS who was in attendance as the representative of the academic community. He explained that he had attended a pre-meeting with KPMG representatives to discuss how academics could engage with auditors and noted that the process of having senior academic leaders at Audit Committee meetings was working well.

No declarations of interest were raised. Apologies were received from the Chief Financial Officer. Item 10 on the agenda, T1 Post-Implementation Review Report (AUD/20/09), was deferred to a later meeting

2. MINUTES OF THE MEETING OF 31 OCTOBER AND MATTERS ARISING (AUD/20/01)

The minutes of the last meeting were approved subject to a small amendment to item 4. Progress with actions from the last meeting were discussed and agreed to be on track.

The Director, CGR informed the Committee that following the departure of the University's Internal Audit Manager, interim oversight on a day to day basis was provided by the Risk & Compliance Officer, reporting to the Head of Compliance. It was noted that the Head of Compliance was continuing work on a Compliance Framework.

i. Bribery Act Training

The Deputy Director, Finance confirmed that an audit of the University's compliance with the Bribery Act was planned. It was further noted that following work to improve completion of mandatory training across the University, the compliance rate had reached 90%.

ii. Sickness Rates

An update was provided within the Internal Auditor's report discussed later in the agenda.

iii. VFM: Leaver's Salary Data Rankings

In the absence of the CFO, it was agreed that the response to queries raised would be deferred to a later meeting.

iv. OfS Requirements (AUD/20/02)

The Director, CGR, provided an update to the Committee on measures in place to ensure compliance with the OfS Regulatory Framework.

v. Research Data Project (AUD/20/03)

The Registrar & Secretary provided an update on Exeter IT's progress with internal audit actions in relation to the Research Data Project. He noted the audit had identified several shortfalls and a response and set of actions had been put in place. Work was not anticipated to be completed until Spring/Summer 2020 but the team were focused on resolving the issues identified.

ACTION: Simon Enoch to attend Council to discuss Cyber Security (Simon Enoch)

3. INTERNAL AUDIT UPDATE INCLUDING PROGRESS WITH THE CLOSING DOWN OF OVERDUE AUDIT ACTIONS (AUD/20/04)

Representatives of PWC presented a report providing the first progress update on the annual Internal Audit plan. It was noted that since the plan's last review, one change had been made. The Development of New Programmes Review had been deferred to 2020/21. This was because the set-up of the team had changed since the review was proposed. A new review into Health and Safety had been proposed to take its place.

DECISION: Audit Committee approved the change to the Internal Audit plan to replace the Development of New Programmes review with a review of Health and Safety.

In response to queries raised at the previous meeting, PWC highlighted data in the report on sickness absence. The Committee discussed the report and raised queries about rates in comparison with peer organisations, the management of long-term sickness and sickness rates in different areas of the University.

ACTION: Substantive discussion on sickness rates to be scheduled for the October meeting, including analysis of Covid-19 related illness. (PWC/Registrar)

It was explained that at the last Audit Committee meeting, some reviews had been discussed in draft. The Cyber Security review had subsequently been finalised and a protocol had been developed to agree and close reviews more quickly.

Overdue actions were discussed and it was confirmed that the IA team had undertaken a stream of work to chase up the owners of each action and work continued on speeding up the shutting down of actions. The Committee questioned whether realistic timetables were set for actions and it was confirmed that deadlines were set by audit sponsors who agree actions and their timetable for completion.

Members noted that this should also include a formal process for the reviewing and agreeing to amend deadlines where appropriate to reduce the level of high-risk actions remaining overdue for prolonged periods. It was confirmed that an automated process was in place for this. Request was also made for more context in reporting to demonstrate where deadlines have been changed and whether revised timelines had been formally approved.

Potential actions against the owners of overdue actions were discussed. It was also noted that some were known risks identified in audits were accepted risks and never going to be completed, however these needed to be clearly identified in reports with a formal statement that the University was prepared to accept the risk.

ACTION: Outstanding actions to be reviewed and reported back to the next meeting with explanation of what's been done to address the risks, including whether they are accepted or going to be resolved. (Registrar & Secretary)

Representatives from PWC discussed the following individual audit reports –

i. Internal Audit: Cash Handling (AUD/20/04A)

Representatives of PWC provided a summary of the report, explaining that the review had looked at the cash handling policy, how cash was handled and distributed. Seven

findings had been agreed with management, with the main points identified as relating to advances on expenses for international travel.

The Deputy Director, Finance explained that the cash operations review had been bought forward as there had been some substantial changes and business practices had been reviewed to ensure they were sufficiently robust. It was noted that the service in place was considered good but some lessons about transactions had been acted upon. Work, including deep dives, policy review and the embedding of best practice had been undertaken to seek assurance that nothing had been missed.

Expenses and advances to staff and students were discussed, with the policy for exceptional requests, appropriate use of advances and credit cards was explained. It was confirmed that the policy was being changed to keep up to date.

▪ **ii. Procurement (AUD/20/04B)**

- Representatives of PWC explained that the audit had looked at the whole procurement service and identified the six findings highlighted in the report. The Deputy Director, Finance explained that the review had been undertaken to give confidence that the system was working well and identify any areas for improvement. Areas identified included the visibility of future spend, assessment of risk, procurement strategy, KPIs, records systems and analysis of non-addressable spend.

Committee members noted the findings and discussed how to ensure value for money in contracts. It was considered that the process was working well for academics with some issues noted for researchers which Finance were working through to resolve. It agreed that the service was making progress and the review would help to make further improvements however good processes were in place and further improvements continued to be made.

iii. UUK Accommodation Code (AUD/20/04C)

PWC representatives explained that a review had been undertaken on the request of the government to review compliance with accommodation code. The purpose was to report back on whether the University met the code or not rather than provide assurance. It was explained that the code was continuing to evolve and that the team would respond and deliver changes as needed. It was further explained that the process had been initiated by the government in order to ensure that everyone who needs to be, was aware of responsibilities, which included security risk assessment and safeguarding. The Committee discussed the report and it was noted that a network of 800 cameras was in place across campuses and estate patrol had a close working relationship with the police. Supervision of contractors and retrospective warranties were also discussed.

4. **INTERNAL AUDIT CODE OF PRACTICE (AUD/20/05)**

Representatives of PWC highlighted detail from the new Internal Audit Code of Practice. It was noted that new standards had been introduced to improve confidence in Internal Audit and governance procedures. This aimed to help to improve the profile and effectiveness of Internal Audit functions and was applicable across all organisations. The code aimed to establish the right access for Internal Audit to senior managers within organisations and set out who acts as Head of Internal Audit and had appropriate responsibility and profile within organisations to ensure Internal Audits were effective.

It was confirmed that as the University's Internal Audit Representative, Heather Ancient of PWC acted as Head of Internal and had appropriate access to the Audit Committee Chair.

The Committee discussed financial scenarios planning and the desire to be able to review quick financial planning scenarios to give the Committee timely views of the financial impact of decisions on the University. It was confirmed that this process was undertaken with in the planning review rounds, with the outcomes then being reported to Council. The Committee asked for earlier visibility of scenario plans to provide quickly produced, high level views of modelling of the impact of risk factors and it was agreed that work would be undertaken with the CFO to produce these.

ACTION: High level modelling of the impact of risk factors to be discussed at the next meeting (CFO)

The Director, CGR confirmed that across the nine areas of best practice identified in the code, the University was considered to be doing reasonably well with more work to be done. Analysis to identify gaps was to be undertaken in collaboration with PWC and reported back to a later meeting. Focus was also to be placed on aligning the audit process with the key corporate and college service risks and greater engagement with the Executive.

ACTION: Undertake a benchmarking review against the Code and report back to a future meeting (Director, CGR/PWC)

ACTION: PWC to attend a VCEG meeting to raise the profile of IA's work within the Executive. (Registrar/PWC)

It was noted that the Internal Audit Manager had left the University and a Head of Compliance had now been appointed, who had managerial oversight and responsibility for Internal Audit and the relationship with PWC.

ACTION: Draft structure for the University's Internal Audit team to be presented to the June meeting (Director, CGR)

5. **VICE-CHANCELLOR'S UPDATE**

The Vice-Chancellor joined the meeting to present a final update to the Committee on his views of the risk landscape for the University and HE sector prior to his retirement. The issues identified were the financial environment for the sector, possibility of fee changes as set out in the Auger Review, Pensions and the impact of Coronavirus

An update was provided on the USS pension scheme and industrial relations climate at the University. The International Strategy was also discussed with consideration given to the balance of risk vs. not taking action. The Vice-Chancellor noted anticipated action against low

quality within the sector, with measures being considered within the OfS to identify poor quality and failing institutions.

Committee members discussed the importance of being an international university and mitigations in place in the event of any changes to the volume of international students taking up places in the next academic year, including alternative income streams available.

Trends within graduates were discussed, with the climate emergency being identified as a primary concern, with strong ethical value-lead views and emphasis on identity. Digital delivery of programmes was also discussed with the need to evolve different forms of pedagogy in response.

The Committee discussed the University's planning against the impact of the Coronavirus, noting support in place for Chinese students affected. The Vice-Chancellor commented on the phenomenal work being undertaken by Professional Service colleagues to prepare the University for an outbreak.

6. KPMG: AUDIT PLAN AND STRATEGY FOR THE YEAR ENDING 31 JULY 2020 (AUD/20/06)

The Chair made the Committee aware that Mike Rowley, the University's primary representative at KPMG was due to step down. Praise and thanks were given for his service to the University, having built very positive relationships and holding a deep understanding of the sector.

ACTION: Discuss succession plans for the University's KPMG representative (Chair/CFO)

Mike Rowley confirmed that he was shortly to retire but would continue to provide support to external sector updated and would attend June's Audit Committee meeting to present this.

A brief summary of upcoming audits was provided, with KPMG's work focusing on the budget, Coronavirus planning and the current position of the finance system. It was noted that the University was in a strong position in relation to going concerns. Costs of widening access work were discussed and, more broadly, financial viability of providers over the next 12 months.

7. TRAC COSTING (AUD/20/07)

In the absence of the CFO, the Deputy Director, Finance presented a paper which aimed to provide assurance about the management and quality assurance arrangements for the TRAC return following submission of the Transparent Approach to Costing (TRAC) data to the OfS for 2018/19.

The Deputy Director confirmed that the report had previously been approved by Council and the work had provided a good insight in to the University's TRAC performance. Committee members were asked to raise questions that could then be put to the CFO at a later date.

Committee members noted that research cost recovery was below that of peer institutions and queried when improvements would be visible. Request was made for a target of when the University to reach sector benchmarks.

ACTION: Substantive discussion on industrial partnering to be scheduled for a forthcoming meeting (CFO/DVC (Research))

ACTION: New Vice-Chancellor to attend the first meeting of the Audit Committee in the next academic year (Registrar)

8. USS AND THE 2nd JOINT EXPERT PANEL REPORT (AUD/20/08)

In the absence of the CFO, the Registrar provided an update to the Committee on the University's response to the 2nd Joint Experts Panel report consultation on USS.

It was noted by members that the panel had not appeared to have considered benefits side of the issue. The industrial relations climate was noted with discussion held about negotiations on behalf of non-union colleagues. The Committee questioned the expected value of the deficit; however the data was not available to share within the meeting.

9. T1 POST IMPLEMENTATION REVIEW REPORT (AUD/20/09)

This item was postponed until June's meeting to enable the CFO to be in attendance for the discussion.

11. STUDENTS' UNION SUPERANNUATION SCHEME (SSUS) (AUD/20/10)

The CEO and Finance Officer of the Guild joined the meeting to provide and updated on the Guilds' position in relation to the scheme. The CEO explained that the pension trustees were due to report back on the valuation which was expected to include extra liability. The Guild was not expecting to be made aware of this impact for a further six weeks, with the expectation being that there would be a maximum of £2.1m liability.

The Committee discussed the position and the NUS's response to the situation. It was confirmed that the NUS had not given any indication to date on how the liability would be met however assets, such as a London based HQ could be sold. Pressure on the Trustees to change the repayment schedule was raised as reducing the payment period was anticipated to result in some student unions being unable to maintain financial viability. The size of deficit on the Guild's balance sheet was discussed, with questioned raised about whether the funds were fully fundable and the duration of time the Guild has been aware of the issue and the future of the Guild and impact of its folding were also discussed. The impact on NSS was also questioned

Following the departure from the meeting of the Guild CEO and Finance Officer, the Registrar provided an update to the Committee regarding a letter received from the Trustees of the Guild. The Registrar and the CFO were due to meet the Guild's finance trustee to discuss the position further. It was also noted that the Guild also had the in year challenge of VAT bill and plans were in place to drill further into the Guild's business model.

12. RISK UPDATE AND REVIEW OF RISK MANAGEMENT (AUD/20/11)

The Director, CGR presented the second risk report of the 2019/20 risk management cycle, which included the key corporate, college and professional service risks as identified by the appetite and tolerance model. It was explained that the paper also highlighted emerging risks including the geopolitical situation, Project 35, Digital Transformation, Coronavirus, major incident risk and the launch of the pandemic emergency plan include the strategic gold and silver groups co-ordinating the response.

The Committee discussed emerging risks relating to the Coronavirus and the University's response. The Registrar confirmed that the University was working with sector guidance

including communications on how students and staff should look after themselves and others and visits to high risk areas. Support was also being provided for those in halls who were in self-isolation. Focus had been stepped up on supply chain management, support for additional cleaning of office and travel had been stopped to category 1 and 2 countries. Non-essential business travel had been stopped and scenarios planning underway to examine the implications of having to close the University. This work included support for staff working from home, increasing the capability of VPN, bringing ELE into the Cloud, ensuring resilience at college level, the impact at a community level and pausing or postponing events in the institutional calendar.

Questions raised by Committee members including details of the plan for the University's closure, digital capability, whether plans were documented and contingency plans for use of the University's facilities by medical services, including resource contributions from staff and medical students and protections in place to support international students who were unable to return home. The Registrar confirmed that it was anticipated that the University would be required to close within 2-3 weeks.

13. DATA ASSURANCE UPDATE (AUD/20/12)

The Director, PPBI attended the meeting to provide assurance on recent key returns for HESA, the OfS Financial Return, Higher Education Students Early Statistics return (HESES) and Medical and Dental Students return (MDS). Committee members were invited to also attend a session prior to June's meeting to brief the on the contributing factors to assessing university's rankings.

Committee members discussed the value bought to Universities by the OfS reporting systems and volume of effort required to manage reporting. The Director, PPBI confirmed that Cubane data would provide opportunity for analysis of time spent on reporting and details would be shared at the next meeting in June.

ACTION: Provide insight into into the Cubane data at the next meeting (**Director, PPBI**)

14. MODERN SLAVERY ACT TRANSPARENCY STATEMENT ANNUAL REVIEW (AUD/20/13)

The Director, Compliance, Governance and Risk explained that the University was required to review the report annually and it was being shared with Audit Committee for information. Since its last approval, the statement had been reviewed by HR and Finance and subject to recommendations by the auditors. The review had identified some version control issues previously and lack of clarity of ownership. It was confirmed that the Director, CGR was owner of the statement, which was due to be submitted to VCEG the following week for approval prior to its publication on the University's website.

15. CHAIR'S CLOSING REMARKS

The Chair thanked members and confirmed that the next meeting was scheduled to take place on Thursday 4^h June 2020 10:00 however this date was to be rescheduled. He noted the part ii paper on insurance services and requested more detailed analysis be considered at the June or early autumn meeting.

ACTION: Detailed analysis of insurance arrangements to be presented to the June or early autumn agenda

Audit Committee noted the following papers:

- Papers Protocol (AUD/20/14)
- An Outline of the University Insurance Services (AUD/20/15)

COUNCIL & COMMITTEES

REGISTER OF INTERESTS 2019/20

Members

Sarah Turvill	Willis Towers Watson (Director of UK Subsidiary; Pensioner); Yarmouth (IOW) Harbour (Commissioner); Grays Inn (Bencher)
Sarah Buck	BSW Consulting (Consultant; part-time); Institution of Structural Engineers (Ethics Committee member); Joint Board of Moderators (Accreditation Visits)
Richard Atkins	Department for Education (Engaged as FE Commissioner)
Professor Sir Steve Smith	UUK (Board Member); Russell Group (Board Member); UCAS (Chair of Board); Heart of the South West LEP (Board Member);
Professor Janice Kay	Royal Devon & Exeter NHS Foundation Trust (Non-Executive Director); Advance HE (Board Member); Office for Students (Deputy Chair Teaching Excellence Framework); Office for Students (Chair – Teaching Excellence Framework (Subject Level Pilot))
Professor Mark Goodwin	<i>Cornwall and Isles of Scilly LEP (Board Member)</i>
Jo Binding	National Union of Students (Trustee, Chair of Finance Committee); The Student View (Chair of Trustees)
Gerry Brown	NovaQuest Capital (Chairman); IQVIA (Shares)
Nicholas Cheffings	Hogan Lovells International LLP (Consultant to the firm); PRIME Commitment Ltd (Chair); Making the Leap (Chair); CareTech Charitable Foundation (Trustee); ISLP-UK (Trustee); British Paralympic Association Parallel Club (Chair)
Graham Cole	Coldharbour Technology (University of Exeter working with Coldharbour)
Andrew Greenway	None
Patrick Hoyle	Exeter University Students' Guild (President)
Salam Katbi	Department for Education (South West Regional Co-ordinator for Prevent)
Professor Caroline MacEwen	<i>Academy of Medical Royal Colleges (Chair); Tayside Health Board (Consultant Ophthalmologist); Scottish Government/CMO (Clinical Lead); NHS Education for Scotland (Associate Postgraduate Dean); NHS Improvement (Clinical Lead GIRFT Programme); Moorlands Eye Charity (Trustee)</i>
Professor Andrew McRae	None
Sir John O'Reilly	<i>A*STAR (Board Member and Chairman of the Science and Engineering Research Council); ERA Foundation Ltd (Chairman); University of Huddersfield (wef 010918 - Royal Academy of Engineering Industrial Visiting Professor); Royal Commission for the Exhibition of 1851 (Board Member); UCL (Visiting Professor); Royal Academy of Engineering (Member,</i>

	<i>Enterprise Committee & Selection Committee for Enterprise Fellowships); UCL (Visiting Professor)</i>
Alison Reed	British Airways plc (Director); NewDay Ltd (Director); CGI Group Inc (Director)
Joe Rigby	None
Alison Rose	None
Professor Wendy Robinson	None
Anni Vanhatalo	None
Glenn Woodcock	<i>Centre for Science and Policy, University of Cambridge (Policy Fellow Alum); City Science Corporation Limited (Chairman and Shareholder); Cloudsoft Corporation Limited (Shareholder); Exeter City Futures Community Interest Company (CEO and Founder); Exeter College (Governor); Global City Futures Limited (Director); Grenadier Paternoster Limited (Director); Low Carbon Limited (Director); Low Carbon Foundation (Director); Low Carbon Oxygen Limited (Director); Oxygen House Limited (Director); Oxygen House Group Limited (Director); Queen's Drive Exmouth Community Interest (Director); Royal Society for the encouragement of Arts, Manufacturers and Commerce (RSA) (Fellow); Sparx Limited (Director)</i>

In attendance

Andrew Connolly	Peninsula Innovations Ltd (Director); University of Exeter Consulting Ltd (Director); Falmouth Exeter Plus (Director)
Joff Cooke	Gradsouthwest (Spouse co-owner and Director of Business)
Neil Gow	Sainsbury Laboratory (Trustee Director, Head of Scientific Advisory Board); Westerdijk Institute (Member of Scientific Advisory Board), Editor in Chief, The Cell Surface; Editor, Cellular Microbiology); British Society for Medical Mycology (President 2018-2021)
Professor Tim Quine	University Vocational Awards Council (Board Member); Tianjin University (Honorary Professor)
Imelda Rogers	None
Mike Shore-Nye	Ted Wragg Multi Academic Trust (Institutional Member); Exeter Science Park (Director); Exeter College (Spouse as student); Northcott Theatre (Trustee)

Other Committees

Bettina Rigg	Veale Wasbrough Vizards LLP (Employee-partner); Writtle University College (Governor)
David Dupont	Diabetes UK (Member of Clinical Studies Group researching Type 1 Diabetes); Operation Imprezza (Charity Trustee Director); Pennon Group Plc (Shareholding)
Simon Enoch	Jurit LLP (Consultant); Nescot (Governor); 100% IT Ltd (Director)