



UNIVERSITY OF EXETER

AUDIT COMMITTEE

A meeting of the Audit Committee was held on 9 March 2021 via Teams at 13:00-16:00hrs.

Agenda

- 1 Private Session without auditors: External Audit Tender Process (*This item was for Audit Committee members only*)
- 2 Welcome and Declarations of Interest
- 3 Minutes of the Meeting 29 October 2020 and Matters Arising (AUD/21/01)
 - Audit Committee Ways of Working and Business Cycle (AUD/21/02)
 - Directors and Officers Insurance Arrangements (AUD/21/03)
 - Bribery Act Compliance (AUD/21/04)
- 4 University Annual and Accountability Reports:
 - Update on the Current Financial Position
 - ~~Draft TRAC Data Assurance (AUD/21/05)~~ (*postponed to May meeting with title 'Costing Insights'*)
 - PCI DSS Accreditation (AUD/21/06)
 - Modern Slavery Act Transparency Statement Annual Review (AUD/21/07)
- 5 External Audit:
 - Sector Update (AUD/21/08)
 - KPMG Audit Plan and Strategy for Year Ending 31 July 2021 (AUD/21/09)
- 6 Internal Audit:
 - Progress Report and Recommendation Follow Up (AUD/21/10)
 - Complete Reports:
 - Staff Wellbeing (AUD/21/11)
 - Development of New College Programmes (AUD/21/12)
 - Competition and Markets Authority (AUD/21/13)
- 7 Data Assurance Update – (HESA Student, Staff and Finances, HESES) (AUD/21/14)
 - High Level Summary – HESA Audit PWC (AUD/21/19)
- 8 Procurement Competition Waiver 6 Monthly Report (AUD/21/15)
- 9 Risk Management
 - Risk Update (AUD/21/18)
 - Key risk deep dive: Organisational Health
- 11 Chair's Closing Remarks

Part ii Papers

- Council Finance Sub Committee minutes:
 - 8th October 2020 (AUD/21/21)

- 5th November 2020 (AUD/21/22)
- 2nd December 2020 (AUD/21/23)
- 26th January 2021 (AUD/21/24)
- PWC: CFO Survey – COVID-19 Recovery and Improvement: Locking-in the Benefits and Overcoming the Challenges (AUD/21/16)
- PWC: Annual Risk Register: Benchmarking Report (AUD/21/17)

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:

Totty Brobyn	Committee Secretariat Administrator (Minutes)
Christian Carter	Head of Organisational Development (for item 9)
Shades Chaudhary	(for item 9)
Andrew Connolly	Chief Financial Officer
Christopher Lindsay	Director Compliance, Governance and Risk
Donna Fitzgerald	Deputy Director Operations and Procurement
Mike Shore-Nye	Registrar & Secretary
Imelda Rogers	Director of Human Resources (for item 9)
Tracey Tuffin	Interim Internal Audit Manager
Michael Wykes	Director of PPBI (for item 7)
Professor Zhongdong Wang	PVC and Executive Dean, CEMPS
Duncan Laird	KPMG External Auditor
Rees Batley	KPMG External Auditor
Mike Rowley	KPMG External Auditor
Heather Ancient	PWC, Internal Audit
Charlie Martin	PWC, Internal Audit
Nishtha Sharma	PWC, Internal Audit

Apologies:

Kate Lindsell	Head of Compliance
James Wilson	PWC Internal Audit

Actions summary:

Item	Action Summary	Owner	Progress
1	Some misleading figures within the external auditor proposal to be corrected.	Donna Fitzgerald	
3	Chair of Audit Committee to hold a briefing meeting with the V-C after each meeting of the Audit Committee.	Secretariat	In Progress.
3	Insurance office to discuss limit of indemnity with regard to Officers and Directors insurance with the University insurers and look into limits at other Russell Group universities.	Insurance Office	
4	With regard to the Modern Slavery Act statement, Donna Fitzgerald to look into possible links between benefactions and proceeds linked with slavery in the past.	Donna Fitzgerald	
7	Both the 'Sector Update' and the 'KPMG Audit Plan and Strategy for Year Ending July 2021' to be taken to Council for information and further scrutiny.	Secretariat	Added to May Council agenda, part II papers.
11	'Thriving at Work' strategy to be circulated to Audit Committee members.	HR	Completed.

1 **Private Session without the Auditors: External Audit Tender Process (this item was for Audit Committee members only)**

The meeting opened with a private session for Committee members without the auditors present. The purpose of this meeting was to review proposals for the external audit tender process, as the current external audit contract ended at the end of the 20-21 academic year.

During the discussion, concerns were raised about the presentation of the figures set out in section 1 of the paper, which were deemed to be potentially misleading. It was agreed that the figures would be reviewed and, where necessary, corrected.

Following discussions that focused on cost, resourcing and tendering during the exceptional circumstances of the pandemic, it was agreed that the contract with KPMG should be extended by a further year.

ACTION: Donna Fitzgerald to review and, where necessary, correct the figures used in section 1 of the report.

ACTION: KPMG contract to be extended by one year.

2 **Welcome and Declarations of Interest**

The Chair welcomed members, officers and representatives from KPMG and PWC to the meeting.

No declarations of interest were made.

3 **Minutes of the Meeting 29th October 2021 (AUD/21/01)**

The Committee received an update report from the Registrar and Secretary regarding an action from the previous meeting as follows:

- The action for the CIDO and KPMG to meet to resolve differences of opinion on certain KPMG External Audit report findings had been completed and it had been agreed that there had, with regard to the area identified, been a failure of process and thus the KPMG opinion would stand.
- Alan Hill, previously the University CIDO, had left the University and Tracey Scotter was currently acting as interim digital officer. A recruitment plan for a Chief Digital Officer was in development, along with the recruitment of a DVC for Digital Education to help drive forward the University's digital transformation strategy. It was noted that the current approach to blended learning would continue with added significant investment into existing and new programmes.

Other Matters Arising on the Minutes

i. **Audit Committee Ways of Working and Business Cycle (AUD/21/02 and 02A)**

The Director of Compliance, Governance and Risk updated the committee on the new ways of working discussions following the extra meeting of Audit Committee that took place in December 2020. The new arrangements would come into operation from the

following academic year (2021/22). The current Business Cycle document was to form the basis of agenda setting until June 2022. An additional meeting in May 2021 would focus on the Finance Strategy and time would be made available within each meeting to focus on a specific and key corporate risk. It was agreed that the Chair of Audit Committee would meet with the VC following each meeting to provide a briefing on the latest business.

The Chair asked members to ensure that any risks or related issues that they felt were not covered in the business cycle were proposed for detailed discussion at future meetings.

ii. Directors and Officer Insurance Arrangements (AUD/21/03)

iii. Bribery Act Compliance (AUD/21/04)

The Deputy Director Operations and Procurement presented a paper on the University's arrangements for compliance with the Bribery Act.

Concerns were raised about a 95% percent training compliance rate putting the University at risk. The Deputy Director responded that a 100% uptake would not be possible due to the large number of temporary staff joining the University for short periods of time during the year who were included within this data. It was noted however that all of those staff in positions which involved financial or procurement responsibilities had undertaken the training.

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

ACTION: Chair of Audit Committee to meet with the VC to brief her on the latest business.

ACTION: Insurance office to discuss limit of indemnity with insurance providers and look into limits at other RG universities.

4 University Annual and Accountability Reports

Update on current financial position

PCI DSS Accreditation (AUD/21/06)

The Chief Financial Officer reported that the University had received a high quality accreditation under the PCI DSS scheme and the importance of this compliance for our financial management arrangements was emphasised.

The Deputy Director Operations and Procurement noted that the finance team would be continuing to maintain compliance annually, including mandatory training for those involved in taking credit card payments.

Modern Slavery Act Transparency Statement Annual Review (AUD/21/07)

The Director of Compliance, Governance and Risk provided an update on the annual review of the University's Modern Slavery Act transparency statement, which had been approved by VCEG at its meeting on 18 February 2021.

The Committee, while assured by the statement, raised concerns regarding potential issues with benefactions, where there may have been proceeds linked with slavery in the past. Although it was noted that as a relatively young university this was unlikely, the matter would be discussed with the Director of Global Advancement and reported back to a later meeting of the Committee.

ACTION: The Director of Global Advancement to review any possible links between the proceeds informing benefactions with slavery in the past.

DECISION: Audit Committee approved the Modern Slavery Act Transparency Statement.

7 External Audit

Representatives of KPMG updated the group on work undertaken since the last meeting and particularly focused on the following two areas.

i. Sector Update (AUD/21/08)

It was noted that the Government had become increasingly directive as examples of alleged poor governance and management in both FE and HE were identified. HEIs would need to ensure that there was strong self-scrutiny with regard to governance and management going forward as Government and regulators became more interventionist.

Pensions

Following consultations with employers, the official USS valuation report had been released. USS had been struggling with investment returns on its portfolio and a more negative valuation outcome had been expected, but the actual valuation had been far worse than thought. This called into question the affordability of the scheme and highlighted the real risk of industrial action, and therefore the possibility of the University not being able to provide the level of service to students that they were expecting.

As most universities couldn't afford to leave the scheme, it was important for the sector to look at alternative management solutions, such as tiered contribution and benefit levels, particularly for lower earners at the start of their career journey, an option which USS did not currently allow. It had been stated that the valuation would not be completed by the deadline of June 2021 and that the pensions regulator would likely agree to a delay. Any new deficit recovery plan would be unlikely to be approved until the end of the calendar year. Worryingly, the funding costs increase in October and then again as a result of the ongoing valuation. While there was potential for industrial action, the growing feeling within the University was that staff were growing tired of the ongoing issues

associated with the USS and would look for alternatives which would give them more control over their pension.

It was noted that UUK was writing to the pensions regulator and USS to explain that the implied level of increases could not be justified and to challenge the assumptions which were driving the risk returns. The strategy was for UUK to make their points and propose an alternative way through based on potential further enhancement of the covenant strength, looking at benefit reform and total core rates to try and ensure that the scheme remained affordable.

ii. **KPMG Audit Plan and Strategy for year ending 31 July 2021 (AUD/21/09)**

Committee members were urged to note page four of the plan/strategy report, which summarised the audit approach and highlighted the areas of risks that are considered to be significant and also other areas of focus. The following key risk areas were highlighted:

- Pension liabilities
- Revenue recognition
- Management over-ride controls

Other areas of focus were not at the significant risk level and the growing concerns noted were ones that had come to light during the current Covid-19 pandemic. KPMG were not expecting any significant issues.

ACTION: Both the 'Sector Update' and the 'KPMG Audit Plan and Strategy for year ending July 2021' to be taken to Council for information and further scrutiny.

8 **Internal Audit:**

The Chair noted that Heather Ancient would be retiring in June 2021, and that Ali Breadon would take on the role of senior PWC audit liaison manager for the University of Exeter.

i. **Progress Report and Recommendation Follow Up (AUD/21/10)**

Representatives of PWC provided a high-level summary of key themes from the progress report.

A change to the internal audit plan was highlighted on page three of the report. It had been agreed with management that the Business Cases review would be postponed and replaced by an advisory review to look at lessons learnt in terms of the University's digital transformation, the terms of reference for which had been drafted with Tracey Scotter.

An update on the outstanding recommendations noted that while a number had progressed, some were outstanding. Of the 14 recommendations that were overdue, some had been partially completed and some had been given revised dates.

Within the progress report, four areas had been highlighted and the following points were noted:

- Higher Education Annual Report Benchmarking: the purpose was to give an overview of the significant issues raised within HE annual reporting.
- Cross-border Working: the implications this might have from a tax and residency perspective. The University needed oversight and an increased awareness in monitoring where staff are working.
- Risk Register Benchmarking: an annual report completed from the risk registers of PWC client universities returned at the end of 2020, which informed the audit plan to be brought to the June meeting, and provided an overview of key sector risks.
- Outcome of CFO review: 34 CFOs were interviewed and asked to provide feedback on the positive outcomes from the Covid-19 pandemic, short term risks and longer term implications.

ii. **Completed Reports:**

- **Staff Wellbeing (AUD/21/11) (Considered under item 11 (b))**

Staff Wellbeing was an increasing area of focus for Audit Committee based on the new Committee of University Chairs Audit Committee Code of Practice. The report covered a wide range of aspects of staff wellbeing but was particularly focused on the Covid-19 response plan, which had evolved over time and this was noted in discussion. A number of areas of good practice were noted, but while the report highlighted the amount of information there was available for staff to use, there was also a requirement to disseminate this information more widely, thus to make staff aware of the well-being support available to them.

A further area of focus was analysing staff feedback via the engagement survey, performance review processes and exit interviews. The advice was that the analysis utilised for the engagement survey should also be used on performance review processes and exit interviews to highlight any common themes that arise.

It was noted that a report focusing on student wellbeing would be circulated later in the year.

PWC had made an offer to share their Samaritans training to all University staff, but was aware of the need to ensure it was compatible with all other training programmes offered by the University.

- **Development of new college programmes (AUD/21/12)**

The report highlighted four points agreed with management which looked at how new programmes were created, the Programme Development Group and the relationship with colleges. It had been noted that when a new programme was being developed, it was important to make sure that the information collected was done in a consistent manner. The need continually to reassess programmes was also highlighted with particular emphasis on making sure that reassessments were captured in order to inform future programme viability.

The Registrar and Secretary noted that following the report, the process for programme development had been made more systematic in order to better identify those programmes that were no longer viable and which could be stood down to allow investment in other areas.

- **Competition and Market Authority (AUD/21/13)**

It was noted that overarching consumer protection law and associated regulations applied to universities and guidance on this area was released by the CMA in March 2015. The four areas that the audit had focused on were:

- Awareness of Education
- Information Provision
- Terms and Conditions
- Student Complaints Handling Process

To ensure the right processes were in place, the following two main points were highlighted:

1. That the training available, while not mandated, should undergo a mapping exercise to ensure all staff that need to complete the training were formally asked to do so.
2. Reporting of student complaints: while this happened once a year to Senate, a quarterly report should be made available to the Audit Committee.

9 Data Assurance Update – (HESA Student, Staff and Finance, HESES) (AUD/21/14)

The Director of PPBI joined the meeting to present the data assurance update. The Director emphasised the importance of data to the University, noting that it either directly or indirectly drives funding, performance measures and league table results for subjects as well as the institution as a whole.

The HESA student return paper responds to a set of recommendations made by PWC in relation to the student return. The findings that PWC had identified were accepted and there were some quality processing issues that were being addressed. It was highlighted that the report should be read in conjunction with the Data Assurance report, and that fundamentally there was no suggestion that any of these audit findings related to any league table positioning or funding issues for investors. There was room at the start of the processing approach to ensure that all data was correct and regulated and satisfactory to submit.

Following a question regarding the level of data and the relationship between institutions and the OfS, it was stressed that while the University did get everything published from the OfS in a transparent way, it did not always match the level of exactitude expected .

Concerns were raised around the amount of data that appeared to be incorrect at the start of the process and what the expected timeline would be for the comprehensive list of actions created to address this issue. The Director of PPBI stated that a number of deadlines had been set, including stepped improvement from the start of May and further work in the autumn. However, as noted in the assurance report, there was a large workload and high expectation on a small team and a longer piece of work would be needed to improve the resilience of that data. Nevertheless, improvements in the processing should be able to be seen in early autumn and a further report would be available in 18 months' time on the outcome of those changes.

The Finance HESA was scheduled to come to the meeting of Audit Committee in May.

10 Procurement Competition Waiver 6 Monthly Report (AUD/21/15)

The Chief Financial Officer presented the regular report for procurement that had not gone through a competition process. The University had strict rules that govern the process and each individual case would need strong justification. The report was periodically brought to Audit Committee to ensure processes and highlight the small number of procurements in relation to the total procurement activity.

11 Risk Management

12 Chair's Closing Remarks

The Chair noted that the next meeting would consider the financial projections underpinning the current corporate strategy.

The Chair thanked the representatives of PWC and KPMG, everyone from the University and the Audit Committee members for their contributions.

No other business was raised.