



UNIVERSITY OF EXETER

AUDIT COMMITTEE

A meeting of the Audit Committee was held on 3 June 2021 via Teams at 10:00-13:00hrs. These minutes and non-confidential papers from this meeting will be published on the University website.

Agenda

- 1 Welcome and Declarations of Interest
- 2 Minutes of the Meeting 9 March 2021 (AUD/21/28) and 12 May 2021 (AUD/21/29) and Matters Arising
 - External Audit Proposal Corrections – verbal update
 - Insurance Office Limit of Indemnity – verbal update
 - Modern Slavery Act Benefactions/Slavery Links – verbal update
 - Feeding the discussions at the meeting held on 12 May 2021 into the University strategy development process – verbal update
- 3 University Finances
 - Latest Financial Forecast 2021/21 (AUD/21/30)
 - Review of Financial Regulations (AUD/21/31)
- 4 External Audit:
 - Progress Report (AUD/21/32)
 - Higher Education Financial Statements Benchmarking Report for 2019/20 (AUD/21/33)
- 5 Internal Audit:
 - Progress Report (AUD/21/34)
 - Internal Audit Report:
 - Governance (AUD/21/35)
 - Data Returns (Student HESA) (AUD/21/36)
 - Treasury Management (AUD/21/37)
 - Access and Participation (AUD/21/38)
 - Internal Audit Plan for FY21/22 (AUD/21/39)
- 6 Risk Management
 - Risk Update (AUD/21/40)
 - Risk Deep Dive: IT Security
- 7 Chair's Closing Remarks

Part ii Papers

- Council Finance Sub Committee minutes:
 - 17th February 2021 (AUD/21/41)
 - 25th March 2021 (AUD/21/42)
 - 11th May 2021 (AUD/21/43)

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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)
Andrew Connolly	Chief Financial Officer
Christopher Lindsay	Director Compliance, Governance and Risk
Donna Fitzgerald	Deputy Director Operations and Procurement
Imelda Rogers	Director of Human Resources (for item 9)
Tracey Scotter	Director of Digital (for item 6)
Nathan Burden	Assistant Director Solutions Delivery (for item 6)
Tracey Tuffin	Interim Internal Audit Manager
Michael Wykes	Director of PPBI (for item 7)
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

Apologies:

Mike Shore-Nye	Registrar and Secretary
Kate Lindsell	Head of Compliance
Professor Clive Ballard	PVC, College of Medicine and Health

Actions summary:

Item	Action Summary	Owner	Progress
1	Arrange a call between the Chair of Audit Committee, the PVC of the College of Medicine and Health and the Director of CGR.	Secretariat	Completed
2.1	Amend typing error in the March minutes – 'Ways of Woking' to 'Ways of Working'.	Secretariat	Completed
2.2	The VC to give an update on the Strategy at the September meeting of Audit Committee.	Secretariat	
3	Financial Regulations document to be added to the Council induction pack.	Secretariat	
5.1	Data Returns to be added September Audit Committee agenda and the Director of Policy, Planning and Business Intelligence and the Director of Education and Student Experience to be invited to join the meeting.	Secretariat	
5.2	The CFO and Director of CGR feedback to the Registrar regarding data integrity of HESA Student returns and to bring to PSLT.	CFO, Director of CGR	
5.3	Graham Cole and DVC Research and Impact to submit a paper regarding Industrial Partnerships for the committee to consider.	Graham Cole	

1 Welcome and Declarations of Interest

The Chair welcomed members, officers and representatives from KPMG and PWC to the meeting and noted apologies from Mike Shore-Nye and Professor Clive Ballard, PVC College of Medicine and Health. The Chair requested a phone call between himself, Professor Ballard and the Director of Compliance, Governance and Risk and invited Professor Ballard to attend the September meeting of Audit Committee.

The Chair marked the last meeting for Mike Rowley from KPMG and Heather Ancient from PWC with thanks for their support and hard work.

No declarations of interest were made.

ACTION: Arrange a call between the Chair of Audit Committee, Professor Clive Ballard, PVC College of Medicine and Health and the Director of CGR.

2 Minutes of the Meeting 9th March 2021 (AUD/21/28) and 12th May 2021 (AUD/21/29)

The minutes were accepted with the following amendments:

- A typing error on page 4 needed amending from 'Ways of Woking' to 'Ways of Working'.

The Chief Financial Officer updated the committee on the previous item on page 6 'Update on Current Financial Position', where the University was identified as providing loans to two partners, INTO and FXPlus Limited. The former received a loan, but the latter did not.

Other Matters Arising on the Minutes

i. **External Audit Proposal Corrections**

Donna Fitzgerald updated the group on the corrections to the external audit proposal. The correction read as follows and was in line with the statement of accounts:

"The 19/20 fees included consultancy/additional advice services by KPMG which is out of scope for external audit contract spend figure. The correct figure for 19/20 should read £106,000 (excl VAT)."

ii. **Insurance Office Limit of Indemnity**

Chris Lindsay updated the group on the response from the insurance office regarding Officers and Directors insurance. Research by the Insurance Office had demonstrated that within Higher Education there was a 50/50 split between two levels of cover: £5million or £10million. Broader investigation into commercial entities highlighted that those with turnover in excess of £50million had an average limit of £10million on this type of insurance cover. Research into the way insurers define risk within the entities they cover highlighted lower risk focused on agriculture, manufacturing and entertainment and higher risk focused around oil exploration, telecommunications and pharmaceuticals. Education and financial services were on the whole determined to be medium risk enterprises.

iii. **Modern Slavery Act Benefactions/Slavery Links**

Chris Lindsay updated the group on the investigations into possible links between benefactors and slavery. Shaun Curtis, Director of Global Advancement, and colleagues had undertaken extensive research into the University's current benefactions and found no evidence of links to modern or historical slavery.

iv. **Feeding the discussions at the meeting held on 12 May 2021 into the University strategy development process**

Chris Lindsay updated the group on feeding the discussions at the meeting held on 12 May 2021 into the institutional discussions on the new strategy. The detailed minutes of the meeting held on 12 May 2021 were signed off by Gerry and discussion took place to ensure that they could be used effectively in consultations on the new strategy. The minutes were then submitted formally to Vic Alcock and Michael Wykes for use in the Big Conversation.

The Chair asked that the VC give an update when she attended the meeting of Audit Committee in September, in order to confirm that the Audit Committee findings were used to inform the new strategy.

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

ACTION: Secretariat to amend the typing error in the March minutes – 'Ways of Woking' to 'Ways of Working'.

ACTION: The VC to give an update on the Strategy at the September meeting of Audit Committee.

3 University Finances

The Chief Financial Officer gave an update on the University finances.

Latest Financial Forecast 2020/21 (AUD/21/30)

Review of Financial Regulations (AUD/21/31)

The Deputy Director of Finance (Operations and Procurement) updated the committee on the work undertaken through a review of the financial regulations to take into account lessons learnt and audit outcomes, following a comprehensive review and redraft that took place in 2019. The regulations remain fit for purpose but the majority of changes were drafting improvements reflecting incremental improvements to process and procedures and the alignment of new policies. The requirements of procurement rules, internal and external audit had also been updated.

Audit Committee agreed to recommend the proposed amendments for approval at Council.

An Audit Committee member noted that the Financial Regulations document needed to be added to the induction documents for new Council members.

ACTION: Financial Regulations document to be added to the Council induction pack.

DECISION: Audit Committee AGREED to RECOMMEND the proposed amendments for approval at Council.

4 **External Audit**

Representatives of KPMG updated the group on work undertaken since the last meeting and particularly focused on the following two areas: Progress Report, and Higher Education Financial Statements Benchmarking Report for 2019/20.

i. **Progress Report (AUD/21/32)**

The report had been brought to a previous meeting and this was an update on progress since then. Discussions with the IT team had begun and had flagged the key things that would be undertaken before the next meeting of Audit Committee.

An update on the Department of Business, Energy and Industrial Strategy (BEIS) consultation, 'Restoring Trust in Audit of Corporate Governance', builds on the back previous audit reports. A key point for universities within the consultation was the proposal to make the largest third sector entities with a public benefit purpose (set against a threshold of incoming resources exceeding £100M) into a PIE (Public Interest Entity) which would impact a number of higher education institutions and consequently add an additional governance burden. KPMG believe that the set threshold of £100million was not suitable and would be responding to the consultation appropriately.

The CFO added that while the consultation does specifically mention universities, there was a consensus that it was deemed 'over the top' due to the already heavy regulation of such institutions. The Chair asked if universities were responding to the white paper and the CFO responded that it had been left to individual universities to respond and therefore Exeter would be forming a response. The Chair added that there was a risk of the consultation resulting in more regulation rather than more effective governance.

A committee member asked that given what is happening across the sector, is there anything specifically we should be concerned about, for example, international student income and recovery of debts in that area.

The representative from KPMG noted that within the detailed audit plan that was taken to the March meeting of Audit Committee, there was a further detail about the work being done in response to Covid, including impact of Covid on pension valuations, asset valuations and liabilities, impairments to estates, etc. Brexit was also included in that report, specifically the impact of that on EU student numbers. He added that there would be more detail in the final year end plan on the response to Covid.

ii. **Higher Education Financial Statements Benchmarking Report for 2019/20 (AUD/21/33)**

The Chair requested the representative from KPMG highlight the key issues for Exeter in comparison to the sector. He added that this document would be useful to inform Council members who did not sit on Audit Committee and were perhaps less financially literate.

The CFO requested that this document be added to part II of the Council agenda.

The representative from KPMG added that Exeter looked to be in medium areas for the pre-92 universities for many of the metrics, giving assurance that the University was not an outlier.

A committee member requested that the paper be made more user-friendly, for example by emboldening the words 'University of Exeter' on each of the bar charts to help people to identify it immediately.

A request was made for this to be a part I agenda item with a presentation or narrative from the CFO to ensure proper scrutiny.

Another committee member added that the huge amount of data needs to be whittled down to the most relevant parts so that the presentation could focus on answering the questions around how it would work with the new strategy.

The CFO responded that the presentation needed some context as the report data measured the vital signs of financial performance and health which gave some but very little insight into the strategy.

ACTION: KPMG to update the report to make the University of Exeter easier to find on bar charts.

ACTION: Add Higher Education Financial Statements Benchmarking Report for 2019/20 (AUD/21/33) to the agenda of next Council meeting.

5 **Internal Audit:**

Representatives of PWC updated the group on work undertaken since the last meeting and particularly focused on the following areas: Progress Report and the Internal Audit Reports.

i. **Progress Report (AUD/21/34)**

The report was a summary of the work completed since the last two audit committees, and included a summary of a workshop with a large number of staff to look at lessons learned from the digital transformation during Covid.

The tracker showing updates on ongoing recommendations was also included, comprising 30 recommendations, with 8 overdue with a revised target date, all detailed in section 3 of the report.

The representative from PWC stated that the addition of the answers was to share some feedback of the reviews undertaken within the sector to give an idea of the common themes.

The Director of CGR added that data quality assurance was considered throughout the year at Audit Committee meetings, however there were no issues to consider at this meeting. He added that Audit Committee should invite Michael Wykes, Director of Policy, Planning and Business Intelligence to attend the September meeting to continue the conversation with his added expertise.

ii. **Internal Audit Reports:**

- **Governance (AUD/21/35)**

This was a specific review on certain aspects of corporate governance undertaken by PWC in which the internal auditors interviewed 15 people, including some members of the secretariat team. This highlighted that Council was well run and those interviewed had a good understanding of the roles and their remit.

The Director of CGR noted that the Senior Executive was looking at management and executive governance arrangements and a paper would be going to VCEG in late June, which addressed both of these points and made suggestions about aligning the approach of a new executive governance structure with Dual Assurance.

A committee member added that the list of Dual Assurance portfolios was due to be reviewed in line with the new 2030 strategy.

- **Data Returns (Student HESA) (AUD/21/36)**

The detail of this report was presented as a paper to Audit Committee at the March meeting highlighting some of the issues that management had already identified and the response. Several returns were made by the University to the regulator but the Student HESA report was particularly important as it a clear material impact on institutional finances.

The University had an established approach to compiling the return with knowledgeable individuals at the helm, however the root cause of the two main findings evidence the importance of data integrity and ensuring correct data at the outset.

The PWC representative assured the audit committee that a follow up on the recommendations would be brought to a future meeting as dictated by the target dates.

The Chair requested that Ian Blenkarn, Director of Education and Student Experience, was invited to join September meeting.

- **Treasury Management (AUD/21/37)**

The representative from PWC presented the report following an agile review which had taken place during the summer of 2020 in light of Covid-19, which sought to share good practice and observations for the University to consider. One of the agreed actions was to complete an assurance review, which noted only minor housekeeping points. He added that they had acknowledged feedback which had resulted in conversations between an individual at the University and the PWC treasury management team.

Within reviews across six universities, the control measures in place at Exeter were some of the best.

The CFO added the improvements made within the treasury management department within the University, including the addition of an excellent permanent Treasury Manager.

- **Access and Participation (AUD/21/38)**

The report highlighted the main findings around the Access and Participation Plan submitted to the OfS which set out how the University planned to improve equality of opportunity for

underrepresented groups. The main finding, which was rated as medium risk, was to ensure that University sought to take the Success for All plan to the next stage, with the action planned activities, timings and evaluation plans going forwards.

iii. Internal Audit Plan for FY21/22 (AUD/21/39)

The plan had been through a number of iterations already, had been through PSLT for final consideration and this paper was a management agreed position in terms of the proposal for next year's programme of work. The auditors wanted to ensure that their work was connected to the corporate risk register. It was, however equally important for PWC and the University to agree on what is and is not included in the plan. The three areas that were not included in the prioritization: Purchase to Pay, Student Welfare, and Business Cases, which would be picked up in subsequent years.

The Chair questioned the plan for a business plan review in 2023/24, stating that it might be sensible to bring forward that review in light of the strategic review and the very real possibility of a revised business plan coming from that review.

A committee member queried the decision to exclude Student Welfare from the prioritisation in light of the past 12 months and the coming academic year following the pandemic, what the thought process and rationale behind its exclusion had been.

The representative of PWC responded that the concern had been with a more immediate risk with Staff Welfare. The committee member added that Student Welfare should not replace Staff Welfare but that both were equally important.

A committee member questioned a number of points within the report:

- the Audit Universe on page 6, which had been confusing and seemed to transpose two of the columns within the table;
- the omission of a process for tuition, teaching or pedagogy listed;
- where pensions, research cost recovery and the financial viability of individual courses might be picked up within the university.

The representative from PWC noted that academic quality was in the plan and although the scheme for that had not been fixed, it would likely incorporate the areas of tuition, teaching and pedagogy.

A committee member raised concerns around the fast paced and significant amount of spend on the digital agenda, which sat outside of the capital expenditure reviews which focused primarily on buildings, and the need to keep on top of such a large area of focused spend for the University.

The CFO responded that he was in agreement with all the points raised but there needed to be a programme of review to be delivered within the fixed number of audit days, therefore some of these priorities could be changed, but decisions needed to be made around what could be pushed to a later cycle.

In continued discussions, Audit Committee members noted the areas they would like to be added to the list:

- IT
- Industrial Partnering

- Business Planning
- Student Welfare
- Major Incident Planning

There are areas that can be prioritized, for example insurance was added as an area of concern, but could be put back a year, which could make ten days available to focus on another priority area. Refocusing the areas of concern can free up resource but it would be a balancing act guided by Audit Committee. It was noted that the University had a contract with PWC, so adding extra days could complicate matters.

It was agreed that Graham Cole would speak to Professor Neil Gow, DVC Research and Impact, to submit a paper for the Committee to consider in order to make a decision on the level of priority for Industrial Partnerships.

The CFO stated that there was a need to be cognizant of the fact that there were 30 other days allocated for IT audits and suggested repurposing an already scheduled audit rather than add a further burden to the IT teams.

PWC agreed to take away the suggestions and reform the plan to bring to the September meeting, with the proviso that between this meeting and the next, some of the Q1 reviews needed to begin.

The committee agreed that they were happy with the Q1 reviews, and therefore PWC and the committee could amend the rest of the plan at the September meeting.

ACTION: Data Returns to be added September Audit Committee agenda and the Director of Policy, Planning and Business Intelligence and the Director of Education and Student Experience to be invited to join the meeting.

ACTION: The CFO and Director of CGR to feedback to the Registrar regarding data integrity of HESA Student returns and to take to PSLT.

ACTION: Graham Cole and DVC Research and Impact to submit a paper regarding Industrial Partnerships for the committee to consider.

6 Risk Management

i. Risk Update (AUD/21/40)

The Director of CGR presented the Risk Update paper to the committee and particularly noted the 'Corporate Service and College Risks' paper which was due to go to VCEG at the end of June and to Council in July.

ii. Risk Deep Dive: IT Security

Tracey Scotter, the Acting Director of Digital and Nathan Burden, Assistant Director Solutions Delivery, joined the meeting to take the group through a presentation and lead a discussion on IT

Security Risk and the planned mitigations and position with regard to the key risks faced by the University.

The following key points were highlighted:

- A number of institutions were targeted by cyber-attacks in April, VCEG was informed and a Cyber Gold Group was formed to ensure adequate preparedness.
- In 2020, 15 education providers suffered high impact incidents and in 2021, 17 had already been impacted by Ransomware.
- An independent assessment of the cyber-security posture would inform the security strategy and programme plan. The assessors were to test the security and highlight weaknesses.
- A Cyber Security Assurance Working Group was established with involvement from Simon Enoch.
- The implementation of Multi-Factor Authentication (MFA) for all staff and students by the end of June, added extra security.
- Following an updated alert in response to the targeting of UK education by cyber criminals published to inform schools, colleges and universities, the University responded with a number of steps to strengthen security of its IT networks.
- Cyber Gold agreed the following business actions:
 - Inactive accounts had been suspended
 - All accounts for staff and student leavers automatically had T1 access removed in 24 hours
 - Business continuity plans for each area were being updated and reviewed
 - A 'cyber security incident' communications plan was agreed
 - A Chubb cyber insurance questionnaire was being completed
 - G7 cyber security focus working with JISC and FXPlus
- More technology increases risk and vulnerability, therefore a number of increased security adaptations were due to be made with Cyber Security becoming part of business-as-usual.

The Acting Director of Digital agreed to an offer by a committee member to form a link to the defence industry.

A committee member enquired as to the progress in increasing staff awareness of phishing emails and the danger in clicking on insecure links.

The IT representatives responded that a lot of technology had been introduced including end point protection, and a banner informing staff when an email has originated from outside the institution, however, while MFA had increased protection, work was ongoing in tackling 'spear phishing' (when an email was sent from inside the organisation).

A committee member asked what lessons had been learnt and shared across institutions from the recent attacks on universities of Hertfordshire, Northampton and Queens Belfast.

The Acting Director of Digital noted that while the University expected intelligence to be shared by JISC and other sector bodies, it was notable by its absence. However, since their lack of action was highlighted, they implemented weekly security briefings and were resetting their security strategy to create a healthy balance between the technology and community and opportunities to learn and share. Institutions that had been victim of attacks had found that there was a delicate balance between what could be shared to help others and what needed to be held back in order to protect themselves.

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A committee member noted an organisation who had built into menus on all emails an option to report phishing, which removed the email from the inbox, sent it to IT who check the security of the email and respond appropriately. The Acting Director of IT agreed to add that to the list of actions.

7 Chair's Closing Remarks

The Chair noted that the next meeting would take place on 30 September 2021.

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.