

# University of Exeter

## Audit Committee

### SUMMARY MINUTES

15 June 2018

10:00-14:00hrs

Ted Wragg, Northcote, House, Streatham Campus

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**Attendees**

**Members**

**Nicholas Bull, FCA**

**Independent Member of Council and Chair**

**Graham Cole, CBE**

**Independent Member of Council**

**David Dupont BA(Hons) MBA**

**Independent External Member of Audit Committee**

**Simon Enoch LLB**

**Independent External Member of Audit Committee**

**Judy Hargadon, OBE**

**Independent Member of Council**

**Alison Reed, ACA**

**Independent Member of Council**

**Nick Swift, ACA**

**Independent External Member of Audit Committee**

**Minutes**

**Rhiannon Brobyn**

**Committee Secretariat Administrator**

**With**

**Professor Sir Steve Smith**

**Vice Chancellor**

**Gerry Brown**

**Independent Member of Council and Chair Elect**

**Andrew Connolly**  
**Paul Hirst**  
**Margaret Laithwaite**  
**Christopher Lindsay**  
**Mike Shore-Nye**  
**Dr Michael Wykes**

**Ruth Ireland**  
**Chris Mundy**  
**Mike Rowley**

**Chief Financial Officer**  
**Insurance, Audit and Risk Manager**  
**Deputy Director of Finance**  
**Director of Compliance, Governance and Risk**  
**Registrar and Secretary**  
**Director of Policy, Planning and Business Intelligence**

**BDO, Internal Audit**  
**BDO, Internal Audit**  
**KPMG, External Audit**

## **1. Welcome and Declarations of Interest**

No declarations of interest were raised.

Members were asked to submit any declarations of interest that differed from those submitted previously to the Deputy Secretary to Council. No declarations were received for the items of under discussion at the meeting.

## **2. Chair and Membership**

The Chair informed the Committee that this would be his last meeting and that a handover discussion, involving the new chair, would take place with the members following the meeting. The Chair reported that Gerry Brown would become the Chair from the beginning of academic year 2018/19: 1 August 2018. He added that the period of office of Nick Swift was also coming to an end and that this would be his last meeting.

The Committee thanked Nicholas Bull for his considerable and much valued work as Chair for the period 2015 to 2018 and wished him the very best for the future.

The Committee also thanked Nick Swift for his valuable input into its work over the last three years and wished him the very best for the future.

## **3. Presentation from the Vice-Chancellor and Questions from the Audit Committee**

**Professor Sir Steve Smith, Vice Chancellor, in attendance**

The Committee received a presentation from the Vice-Chancellor on the key risks facing the higher education sector and the University in the next year and beyond.

## **4. Minutes of the Meeting of 23 February (AUD/18/23) and Matters Arising**

The minutes of the meeting of 2 November were approved, subject to the amendment of the following names in the attendee list: David Dupont and Judy Hargadon.

A question was raised regarding the cycle of minute distribution and their submission to Council.

It was agreed that the practice of, on occasion, submitting draft minutes from the meetings of Audit Committee to Council should cease, and that all minutes should be final and approved by the Chair prior to the submission to Council.

The Committee discussed progress with actions from the last meeting.

### Finance Statements

The Chief Financial Officer confirmed that the timetable for the submission of the Financial Statements in 2018/19 had been reviewed. The Statements would be presented to Council in October 2018. At this stage the Statements would be almost complete although unaudited. Following review by Audit Committee, the final statements would go to the November 2018 Council before submission to the regulator.

It was agreed that it would be premature for KPMG to attend the October meeting of Council to discuss the Statements.

### Future Finance Update

The Chief Financial Officer (CFO) provided an update on the Future Finance project

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### GDPR Project Update (AUD/18/24)

The Director of CGR gave an update on the GDPR Project, which outlined the progress made towards full compliance.

## **ACTIONS**

- *Further update on the GDPR Project from the Director of CGR at the next meeting, including an update on staffing resource.*

### **Mandatory Training – Mike Shore-Nye (AUD/18/25)**

The Registrar and Secretary updated the group on the recent developments with regard to mandatory training, noting that the Council had agreed that new members of staff should not be permitted to begin work until they had done their induction training. It was also noted that the launch of the new e-PDR system would provide full records of training and that this could now be fed into development discussions. The Staff Development team hoped to launch this new approach to PDR from the beginning of the 2018/19 academic year and a full update on progress would be brought to the June 2019 meeting of Audit Committee.

The Chair requested that the mandatory training continued to be monitored and up to date statistics be brought to the next meeting of Audit Committee.

A request was also made for more information on how training would be managed in the interim. This should include handover from outgoing to incoming staff responsible for risks.

The Registrar and Secretary asked for risk handover to be considered at the next meeting of Audit Committee.

## **ACTIONS:**

- *Mandatory training statistics brought to next meeting.*
- *Risk handover to be added to the next meeting agenda*
- *Mandatory Training update and analysis to be added to the agenda for June 2019.*

### **Corporate Conscience (AUD/18/26)**

The Director of CGR presented a paper on the Corporate Conscience training package that had been developed by Legal Services/CGR and Finance.

The paper set out the structure of the training package (which covered a number of key compliance topics, including bribery, modern slavery and criminal finances) and linked into the broader work within CGR that was being undertaken around the Compliance Framework. The package was available to view online and members of the CGR team were working with HR/staff development to get it up and running as quickly as possible.

The CFO added that VCEG had agreed that this would be mandatory for anyone at Grade G and above, however there would be some compliance facing services which would require the whole department to undertake the training.

A query was raised regarding post-doctoral researchers, their pay scale and the necessity for them undertake the training. It was noted that Post Docs typically fall beneath a G grade and their work would be under the supervision of the principal investigator, so the responsibility would not fall on them.

It was noted that HR kept a record of the training undertaken and send out regular updates to Directors. However, there were concerns about the information being out of date and this was currently being reviewed.

It was suggested that an external audit might be necessary to ensure compliance with the Bribery Act. The CFO reported that the last audit took place in 2016/17 and was reviewed every two to three years. Andrew Connolly agreed to look into the possibility of an external review of the University's compliance.

### **MSA Update (AUD/18/27)**

The Committee considered an update paper on compliance with the Modern Slavery Act, including progress with the recommendations of the previous internal audit.

It was noted that a full risk assessment of suppliers had now been undertaken and that high risk suppliers had all received an MSA compliance questionnaire.

## Audit Committee Effectiveness Review (AUD/18/28)

The Committee considered a paper summarising the outcomes of a recent Audit Committee effectiveness review.

The Chair noted the themes throughout the responses. On whole, the feedback from members was positive across the categories of questions. However, a common theme was the large amount of business that was covered in meeting agendas and there was a need to consider how this could be best addressed (e.g. through a possible fifth meeting of the Committee).

The Director of CGR noted that there was a need to align the outcomes of the review with the planned business items for 2018/19 (paper AUD/18/30). There was also a need to better understand how business was managed at universities similar in size and mission to Exeter and that this would be taken forward in discussion with the Deputy Secretary to Council.

The Chair elect, stated that he wished to look at how things could be improved and wished to gain a real understanding of what the main issues were for the University and how Audit Committee could concentrate its work in these areas. He added that one solution would be to invite the Pro-Vice-Chancellors from time to time to get a clearer idea of academic priorities and how the work of the Committee could have a greater impact in this area. This might mean meetings get longer, but it would create more opportunity for the Committee to add value in areas of strategic importance to the University. There was general agreement amongst the independent members of the Committee that this was a good idea, fostering understanding and aligning strategic objectives with the compliance challenges.

The Registrar and Secretary agreed that this was an important development of the Committee's work and that this should be underpinned by more "deeper dives" into the key areas of the University's operations and activities.

There was a substantial discussion around the usefulness of the Committee to the University, particularly with regard to the value of its work for the Executive Team. The CFO confirmed that there was a strong feeling that the Committee was genuinely useful, and that the importance of its role in seeking assurance and holding the senior management to account was recognised as a fundamental part of good governance.

The Registrar and Secretary agreed, and was also clear that there was effective and constructive challenge from the committee and that this had driven improvement actions across the University.

### **5. Update on Whistle Blower Case – (AUD/18/29)**

The Registrar presented an update on the recent whistleblowing case and also a paper from the Director of Infrastructure summarising the outcomes of his investigation

### **6. Draft Planned Agenda Items (and provisional dates) for 2018/19/Management of the Business of Audit Committee (AUD/18/30)**

The Chair-elect noted that the dates were now fixed and would like to discuss with members of the Committee how the agenda going forward could be best a managed to ensure that the Committee's work had a positive impact on the business of the University.

The draft plan would therefore be subject to review, but the following was noted:

- (a) That it remained extremely important to have a detailed discussion of risk at least once a year at the Committee.
- (b) That the new style University Annual Report should be considered at the September meeting of the Audit Committee.
- (c) That, when complete, the updated financial regulations should be brought to the Committee for consideration and review.
- (d) That the business plan for 2018/19 should include a review of Dual Assurance.

- (e) That there was more focus on how Audit Committee could give assurance to Council.

## **7. Update on New Style Annual Report**

The CFO reported on plans for a new style annual report.

He noted that, in response to concerns that the existing annual reporting approach was out of date and not reflective of good practice, especially in the private sector, a project had completed to review the University's annual reporting style. He reported that the 2017-18 report would be more rounded, with concise reporting but also more information on performance in areas other than finance. The report would also reflect the broader interpretation of VFM that had been articulated by the Office for Students.

## **8. External Audit (AUD/18/31 and AUD/18/32)**

The Committee considered two sector analysis papers from KPMG, the University's external auditors, which were introduced by Mike Rowley, KPMG's HE lead.

## **9. Data Assurance (AUD/18/33)**

It was reported by the Director of Planning, Performance and Business Intelligence that the DLHE survey was a bi-annual national survey of UK, EU and international graduates (including both undergraduates, postgraduates, and those who studied full and part-time) conducted by individual HEIs and returned to HESA. Despite there being two survey dates (for this collection 12th April 2017 and 10th January 2018), there is only one submission of data to HESA (9th May 2018).

It was noted that this would be the final DLHE return under the current methodology with future cohorts from 2017/18 being surveyed under the New DLHE methodology. A key change was that Graduates would be surveyed after 15 months (rather than after 6 months).

The new survey would be centrally co-ordinated, with HESA managing the procurement of the service, with core costs being funded through an extension to the HESA subscription model. The loss of visibility over the data was a concern for HEIs. To mitigate this issue, PPBI would monitor graduate outcomes internally to provide more 'real time' data.

The first publication of the full 2017/18 cohort would be available in January 2020.

The milestones over which the Government would assess Graduate Outcomes data was expected to be 1, 3, 5, and 10 years after graduation. This was a significant change from the period of reporting relating to the DELHE Data, which reported on graduate destinations at 15 months post-graduation.

It was noted that the DLHE data results for Exeter had improved two years in a row and that this was a considerable achievement.

## **10. Internal audit progress report (AUD/18/34)**

## **11. Audit recommendations (AUD/18/35)**

## **12. Risk Report (AUD/18/36)**

It was reported by the Director of CGR that there was a strong understanding of the key risks across the institution following a series of 121s with risk owners and well attended risk workshops. There had also been robust discussion about risk at VCEG and PSLT during 2017/18, and effective challenge of risk definition and scoring via Risk Dual Assurance. A full report on all the key corporate, college and professional services risks would be made to the meeting of Council due to be held on 12 July 2018.

## **Cyber Insurance Proposal**

It was reported by the Insurance, Audit and Risk manager that the University had selected an insurer for Cyber Insurance. The Insurance, Audit & Risk Manager was reviewing the quotations with the Chief Information and Digital Officer.

## **13. HMRC Letter (AUD/18/37)**

*The Deputy Director of Human Resources was in attendance for this item*

The Committee received a detailed report from the Deputy Director Human Resources on a recent taxation matter.

#### Tender Process for Internal Audit Contract

The Chair advised that the four year term for the current provider expired on 31<sup>st</sup> July 2018. A formal tendering process, following OJEU rules, had been undertaken.

Under the University's Scheme of Delegation, responsibility to appoint the internal auditor was reserved to Council. To ensure a timely process, the Audit Committee Chair would communicate the recommendation to the Council Chair. With the approval of Council Chair, the outcome of the tender process would then be communicated to the shortlisted bidders. There would then begin a mandatory ten-day standstill period before the contract could be sent for signature. The Insurance, Audit & Risk Manager would manage the changeover in internal audit service provider.

The new contract would be let on a three year basis with the option to extend for a further two years. After this period, a re-tendering exercise would take place, from which PWC would not be excluded.

**POST-MEETING NOTE:** Following the discussion with the PwC relationship management team, the Chair of Audit Committee recommended the appointment of PwC as the University's internal auditors to the Chair of Council, who approved the appointment. This will be reported to the meeting of Council due to be held on 12 July 2018.

#### **14. Part II Papers**

RECEIVED:

- (a) **V-C/Provost's Report to Council (AUD/18/39)**
- (b) **Non-Audit Fees (AUD/18/40)**

#### **15. Date of the Next Meeting**

It was reported that the next meeting of Audit Committee would take place at 9.00am on Thursday 20 September 2018 in a venue to be identified and notified to members.