

Audit Committee

SUMMARY MINUTES AND ACTIONS

10 May 2017

10:00-14:00hrs

Ted Wragg, Northcote, House, Streatham Campus

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17.32	Chair's Closing Remarks

Attendees

Present

Nicholas Bull	Independent Member of Council and Chair
Nicholas Caiger	Independent Member – Non Council Member
Judy Hargadon	Independent Member of Council
Richard Hughes	Pro Chancellor (Finance)
Alison Reed	Independent Member of Council
Nick Swift	Independent Member – Non Council Member

Secretary

With

Andrew Connolly	Chief Financial Officer
Paul Hirst	Insurance, Audit and Risk Manager
Jacqueline Hodges	Deputy Secretary to the Council
Ruth Ireland	BDO
Margaret Laithwaite	Deputy Director of Finance
Chris Lindsay	Director - Compliance, Governance and Risk
Chris Mundy	BDO
Mike Shore-Nye	Registrar and Secretary
Mike Rowley	KPMG
Tracey Tuffin	Risk Manager
Dr Michael Wykes	Director of Policy, Planning and Business Intelligence
Sir Steve Smith	Vice-Chancellor (for item 9)

Apologies: None

Action (Minute reference)	Owner	Progress
Minute Ref: 17.18 Recommend ex-officio membership for the Dual Assurance lead for Risk on Audit Committee to Nominations Committee	Jacqueline Hodges	Agreed at Nominations Committee on 27 June 2017 and reflected in the updated Terms of Reference for the 26 th September meeting
Minute Ref: 17.19a Circulate details of NHS Whistleblowing to Committee members offline	Judy Hargadon/Paul Hirst	Resolved. Students working within NHS services would be covered by the NHS Whistleblowing process.
Minute Ref: 17.19b Committee paper archive log, including actions and decisions, to be added to Boardpacks for reference	Jacqueline Hodges	Available to Committee members via Boardpacks
Minute Ref: 17.19c An update on Gift Aid tax arrangements be provided to the Committee	Roger Bennett/Andrew Connolly	Gift Aid will form part of the 2017/18 Tax review
Minute Ref: 17.19c Consider a review of tax activities within the audit plan for 2017/18	BDO	noted
Minute Ref: 17.19d Seek assurance via Dual Assurance Finance and Investments that the Athletics Union and FXU comply with the University's Modern Slavery Policy statements and that they are mindful of their responsibilities towards this and the Bribery Act	Jacqueline Hodges/Andrew Connolly	Update to be provided at the meeting.
Minute Ref: 17.19e UniForum Programme updates and outcomes to be presented at the September meeting of Audit Committee	Mike Shore-Nye/Michael Wykes	Scheduled
Minute Ref: 17.20 BDO to include focus on INTO in the next UKVI audit	BDO	Noted
Minute Ref: 17.21 Future Finance Steering Group minutes to be circulated to Audit Committee members	Andrew Connolly	Completed

and the final decision to Go/No Go made at VCEG		
Minute Ref: 17.22 Present a high level grid showing overdue audit actions and trend data over time in future reports to the Committee	Tracey Tuffin	New format presented to the meeting of 26 th September 2017
Minute Ref: 17.23 KPMG to attend Council for the approval of the accounts on 23 November 2017. Formal approval of the draft accounts to be added to the list of agenda items	Jacqueline Hodges	Invitation sent
Minute Ref: 17.23 Develop a new approach to presentation of information to the Committee, to limit required reading for the meeting to 100 pages and implement a process of annual self-assessment effectiveness reviews	Chris Lindsay, Jacqueline Hodges	Update to be provided at the meeting
Minute Ref: 17.26 Size and Shape to be discussed at the next Audit Committee meeting	Mike Shore-Nye	Discussion scheduled for the 13 July 2017 meeting of Council and Size and Shape will form the theme of discussions at the Annual Council Awayday in November 2017

17.17 PRIVATE SESSION WITH THE AUDITORS (COMMITTEE MEMBERS ONLY)

Audit committee members met with the External and Internal Auditors without university officers present.

Discussions included comments on the new Compliance, Governance and Risk structure and its interface with both Internal and External Auditors; and comparisons by the auditors of Exeter with other similar institutions.

The auditors pointed to the amount of change currently taking place at Exeter and the added complexity of operation across four campuses. In comparison to others, the auditors commented that Exeter had been behind the curve in both IT (now addressed with a new Head of IT and extensive activity in that arena) and in the culture of addressing points arising from internal audit work (now being addressed under the new Compliance Governance and Risk structure).

The quantity of papers for Audit Committee was also raised; discussed subsequently in the meeting under Agenda item 7.

17.18 WELCOME AND INTRODUCTIONS

No declarations of interest were raised.

It was noted that it was Richard Hughes and Nicholas Caiger's terms on Audit Committee ended at the end of the academic year.

The committee agreed that the Dual Assurance risk lead should have ex officio membership of Audit Committee. A recommendation to Nominations Committee was to be made to amend the membership terms of reference to reflect this requirement and to extend Judy Hargadon's membership of the committee for a further two years.

ACTION: Recommend ex-officio membership for the Dual Assurance lead for Risk on Audit Committee to Nominations Committee (**Jacqueline Hodges**)

17.19 MINUTES OF THE MEETING of 24 FEBRUARY 2017 AND MATTERS ARISING (AUD/17/20)

The minutes of the meeting of 24 February 2017 were approved and the following matters arising were considered.

a) University Fraud Policy (Whistleblowing) (AUD/17/21)

The Insurance, Risk and Audit Manager introduced the paper which summarised the work undertaken to review the Whistleblowing Policy, in response to an action from the previous meeting. It was noted that the review had benchmarked the policy against other Russell Group University policies and that the University of Exeter procedure mapped well against the Public Interest Documents At Work (PIDAW) document.

Discussion was held about the definition of 'worker' used with the PIDAW document and how this applied within different roles within the University. The Head of Internal Audit confirmed that the definition did not apply to volunteers or the genuinely self-employed.

Comment was made about the process for managing incidents of Whistleblowing within the NHS, with Judy Hargadon committing to sending details of best practice from her experience of the NHS approach to the committee offline.

The committee agreed the following recommendations:

- Enabling a search of the University web pages for “whistleblowing” to direct the enquirer to the Public Disclosure policy
- Transfer of the Public Disclosure Policy into the ownership of the Director of Compliance, Governance and Risk
- The Public Disclosure Policy to be updated to include a full list of related policies
- The Institute of Chartered Accountants approach to be adopted by Council, delegated responsibility to Audit Committee and thereafter noted to Council annually

ACTION: Circulate details of NHS Whistleblowing to committee members offline (Judy Hargadon)

b) Archiving Policy (Oral)

It was agreed that an index of Audit Committee papers, decisions and actions would be added to Boardpacks as a reference document for Audit Committee members. Guidance was also to be provided on the preparation of documents being viewed via Boardpacks, with the aim of ensuring reporting is easier and clearer to read.

ACTION: Committee paper archive log, including actions and decisions, to be added to Boardpacks for reference (Jacqueline Hodges)

c) Tax Compliance Update (AUD/17/22)

In response to an action from the previous meeting, the Chief Financial Officer (CFO) provided an update on the University’s tax exposure and associated risk and compliance. He presented a paper outlining the work undertaken to date, current priorities and potential savings.

The CFO confirmed that the recently appointed tax manager (Roger Bennett) was a position and the role was set to pay for itself via VAT reclaims on buildings and ongoing projects. The University has previously worked with KPMG to manage tax arrangements. The CFO explained that it was a distinct advantage to have a Tax Manager on campus who could build relationships across the University and provide input and advice at an early stage of formation of new developments. Roger’s first priority had been to look at compliance and the generation of a thorough risk register. He had to date identified over £0.5m of potential tax recovery options.

Review of tax activity sits with Finance Dual Assurance. Prior to the Tax Manager recruitment it was unclear whether tax should sit with HR (as with Payroll). This has now been defined, and Roger had built very good relationships with HR and other relevant areas.

The Committee queried when the last HMRC had been conducted, and whether this was a regular occurrence. The last visit occurred in 2012 and is not a regular scheduled event.

It was noted that a large amount of work has been completed in this area, and that it would be useful to have clarity around the risks stated. The University risk scoring method should be used to clearly identify the level of risk. The Chief Financial Officer provided assurance that there is no immediate risk, and that the paper was intended to provide a view of the work being carried out by Finance, and assurance that it was well managed.

The Committee requested confirmation of when the next review of tax would be completed by the Internal Auditors. BDO confirmed that this had not yet been joined up, and that this would be considered alongside the Audit Plan for 2017/18.

ACTION: Consider a review of tax activities within the audit plan for 2017/18 (BDO)

The Chair noted that Gift Aid was not referenced in the paper.

ACTION: An update on Gift Aid tax arrangements be presented to the Audit Committee (Roger Bennett/Andrew Connolly)

d) Modern Slavery Act (Oral)

BDO confirmed that a review of the Act had been included within the Audit Plan. It was highlighted that a draft copy of the Modern Slavery Act Policy (AUD/17/37) had been included in part ii of the papers and that this would be presented to VCEG for approval on 15 May 2017. Once published, this document would be published on the compliance pages of the University's website.

A concern was raised with regard to supplier due diligence, specifically for the provision of University clothing for sports. The paper stated that the University does not have significant purchasing of clothing. It was questioned whether the fact that the Athletics Union (AU) via The Guild had contracts with a single supplier for clothing should be a concern, and also noted that this did not go through Dual Assurance. It was confirmed that as The Guild is a separate legal entity, the University had limited control over their activities, however it was felt appropriate that assurance should be sought that The Guild had a Modern Slavery Act statement where appropriate.

ACTION: Seek assurance via Dual Assurance Finance and Investments that the Athletics Union and FXU comply with the University's Modern Slavery Policy statements and that they are mindful of their responsibilities towards this and the Bribery Act (Jacqueline Hodges)

e) Other Points Arising from the Minutes

Minute 17.06 - Compliance, Governance and Risk Structure and framework

It was noted that BDO were liaising with the Director of Compliance, Governance and Risk to provide models for governance as seen at other Universities and agreed that this work would be completed offline without the need to report back further to Audit Committee

Minute 17.06 - KPIs for The Compliance, Governance and Risk

The Registrar and Secretary confirmed that this was to be resolved through a broader piece of work being completed for Professional Services as a whole, and should not be treated separately. This will be presented at the next meeting of the Committee in September

ACTION: UniForum Programme outcomes to be presented at the September meeting of Audit Committee (Mike Shore-Nye, Michael Wykes)

Minute 17.07 - Fraud Resilience Report

The review had been conducted and a draft report produced. The final report will be available at the next meeting of the committee in September

Minute 17.09 New corporate risk request - Alternative Student Pathways

This had been discussed with Paul Blackmore, Head of Student Employability and Academic Success and would be included in the corporate risk for Taught Programmes, rather than as a new and individual corporate risk

Minute 17.14 Committee meeting dates for 2017/18

The meeting dates for the next academic year were confirmed by the Chair

UKVI DECISION LETTER (AUD/17/40)

17.20 The Registrar and Secretary provided assurance that the University had been given a clean bill of health apart from areas of concern already identified (employing without Right to Work papers and allowing the working of excess hours in isolated cases). It was confirmed that the areas of concern were being addressed and that the University's licence had been reconfirmed.

The fine for known incidents was anticipated to be £15k rather than the maximum £20k due to the University's proactive reporting and robust response.

The Committee raised concern that the University had been criticised by the Higher Education Assurance Team (HEAT) audit with regard to INTO students being granted 20 hours work rights incorrectly. Clarification was sought to confirm whether the University was responsible for these students, or whether this fell to INTO. If the latter, confirmation was required as to whether they are subject to the same scrutiny. Assurance was provided by the Registrar and Secretary that INTO work directly with us and our admissions teams, and that they are bound to abide by the University standards.

Confirmation was also provided that the BDO audits cover the joint venture and all students.

The Audit Committee has requested that the next UKVI review had some focus on INTO.

ACTION: BDO to include focus on INTO in the next UKVI audit

17.21 INTERNAL AUDIT

a) Internal Audit Progress Report (AUD/17/23)

Chris Mundy presented highlights from the report, noting that four final reports had been completed since the previous meeting, none of which had an assurance level of Limited Assurance, and there were no recommendations of high significance. Three reports had received moderate assurance with some issues in each: Delegated Authority Framework; Data Quality – OFFA/Widening Participation and Cornwall Capital Projects. These would be followed up internally via the audit recommendation follow up process.

Of the final reports with recommendations:

a) Data Quality-OFFA/Widening Participation

The Registrar and Secretary was asked whether Widening Participation numbers were reported to Council and whether should this be seen as a true KPI? The Registrar and

Secretary provided assurance that the access agreement was assessed and fed back to Council each year. Assurance was also provided to Council comparing commitments to targets and actions made against delivered performance via the Data Assurance reports. This was planned to be reported upon and is on the agenda within the Institutional Performance report for the next meeting of Council.

b) Procurement – Cornwall capital projects

Chris Mundy noted that the different types of projects (sole and joint) were gaining greater clarity within the agreement with FXPlus and Falmouth. A strong management response via the capital procedures was noted.

c). Delegated Authority Framework

Chris confirmed that no evidence had been found that decisions had been made outside of the framework, and it looked like all of the recommendations would be completed. It was noted that recommendations were agreed with a target date of March 2017 but had not yet been completed – this was being worked through and was in progress.

d). Future Finance Process Design Review

The review of the Future Finance process design and mapping had received a positive outcome. Chris Mundy made the Committee aware that a few areas had been flagged in body of report where clearer specification was required. It was confirmed that these were known by the project team and were being taken into the audit design.

The CFO noted that the Future Finance Group had a complicated matrix of decision points with respect to the 'go/no-go' decision for August 2017 and offered assurance that a lot of management oversight had gone into the process as it was so critical to the University and it was essential to get the process right. He confirmed that the next 'go point' for decisions was scheduled during June and July and management of this was being undertaken by the Future Finance Steering Group, with the final decision to 'go / no-go' taken by VCEG. It was agreed that the minutes from the steering group would be circulated to Audit Committee

The Insurance, Risk and Audit Manager raised a concern with the progress report, noting it was not visible whether all audits come in within the stated days or not. BDO confirmed that some audits had overrun due to staff efficiencies, however this had not been transferred as a cost to the University.

Chris concluded his summary by confirming that there were a further seven reviews that would be due to be reported at the next meeting of the Committee in September, four of which were currently in draft stage, one was commencing fieldwork, and two were at planning stage.

The following recommendations within the audit progress report were approved by the Committee:

- That the restructure of IIB should form part of the Transformation benefits realisation review in June 2017
- That there was no requirement for the additional Future Finance review at the Go/No Go decision. The Chief Financial Officer provided assurance that the process is tightly managed, and that an additional review at this stage would add complexity. The Go/No Go decision notes would be circulated to the Committee.

- That the additional planned review of Cyber Security for Spring 2017 was not required, as the Committee was receiving assurance from the Chief Information and Digital Officer of progress with the Cyber Security Roadmap

ACTION: Future Finance Steering Group minutes to be circulated to Audit Committee members and the final decision to Go/No Go made at VCEG (Andrew Connolly)

b) Internal Audit Higher Education & Research Act 2017 (AUD/17/24)

Ruth Ireland presented the paper which detailed the impact of changes within the Act. She noted that amendments had already been trailed and the sector had known what to expect. News that TEF had been delayed for more clarity had been received positively within the sector, however the Registrar and Secretary noted that, for the University, it was a disappointment not to have been able to benefit from the competitive advantage a good rating would have delivered.

More specifically for the University, the Committee was informed that if UKVI tolerance was reduced further, Exeter would benefit when compared to other Universities with larger dependency on EU students. To date, one University had lost its licence due to narrow thresholds.

It was confirmed that the Chairs of the overarching bodies were known and the Vice-Chancellor was engaging with them.

c). Update on progress with audit recommendations (AUD/17/25)

The Risk Manager presented a paper detailing the latest risk register and progress against audit recommendations. She noted that a new category has been added to section five of the paper, relating to UKVI and proposed closing the original related action.

The Committee discussed the annexes to the paper and asked for clarification on how many actions were pending. It was confirmed that there were 43 pending actions and the Committee requested that future paperwork focused on red actions, with a grid that presents trend data over time to indicate whether the list is reducing or decreasing over time.

ACTION: Present a high level grid showing overdue audit actions and trend data over time in future reports to the Committee (Tracey Tuffin)

17.22 DRAFT INTERNAL STRATEGIC AND AUDIT PLAN 2017/18 (AUD/17/26)

Chris Mundy explained that the 2016/19 audit plan had been used as a starting point to develop the draft audit plan for the next year. A meeting had been held between BDO, the Director of Compliance, Governance and Risk and the Registrar and Secretary to review ongoing requirements. The plan had been presented to PSLT and VCEG in early May with positive feedback and was now presented to Audit Committee as an early draft. The planned reviews were centred around current University risks against the regulatory environment. It was explained that the University risk scores shown within the report would be updated once risk report three of the risk management cycle had been completed. This was currently in development.

It was confirmed that the Insurance, Risk and Audit Manager would be involved in the operational planning for delivery, flagging potential dates to ensure appropriate timing alongside operational activity while providing an even flow of reports across the year.

The Committee sought assurance that the focus of the reviews was aimed at proving assurance where the risk impact was greatest. BDO confirmed that the plan accommodated a combination of required areas such as Data Quality, areas of key importance to the University such as the benefits realisation of transformational change, balanced with high impact risks, regulatory impact and the usual cyclical pieces of work.

It was highlighted that the number of days spent on audit in comparison to other institutions placed Exeter at the lower end of the table. Many universities had spent more days on external audit, therefore it was not easy to benchmark in this area. It should be noted that if FXPlus was included in the Exeter figures, the University would be close to the medium.

Assurance was provided that it was more appropriate to assess whether reviews conducted were covering the appropriate risks and were being managed in the right way. Statutory, value for money and key risk areas were deemed to be appropriately covered. Assurance was also provided that the number of days allocated to each audit was discussed at the right level between the right people operationally.

17.23 AUDIT COMMITTEE PLANNED AGENDA ITEMS (AUD/17/27)

The mechanical elements of the draft agenda were approved.

The Chair requested the formal approval of the draft accounts at Council be added to the list of items and confirmed Mike Rowley of KPMG would attend the discussion and provide a peer review.

Action: KPMG to attend Council for the approval of the accounts on 23 November 2017. Formal approval of the draft accounts to be added to the list of agenda items (Jacqueline Hodges)

Concern was raised at the length of papers being submitted to the Committee. The following thoughts were discussed:

- The length of the pack could have been limited to 100 pages in total by moving information type papers to the end (not required reading).
- That a self-assessment effectiveness review should be undertaken and added to the list of standing agenda items at the May meeting.

ACTION: Develop a new approach to presentation of information to the Committee, to limit required reading for the meeting to 100 pages and implement a process of annual self-assessment effectiveness reviews (Chris Lindsay, Jacqueline Hodges)

17.24 DATA ASSURANCE UPDATE (AUD/17/28)

Dr. Michael Wykes provided a data assurance update on the DLHE return. He explained that University of Exeter had, in the previous year, increased its score but had fallen to 29th nationally. A management intervention was underway with extra funding of employability and the capability of the team.

17.25 DISCUSSION WITH THE VICE-CHANCELLOR

The Chair of Audit Committee welcomed the Vice-Chancellor and stated that the Committee was interested in hearing his concerns with risks to the University, succession planning, sources of funding, and the competitive position within sector.

The Vice-Chancellor explained he would focus on the HE Act, Brexit and the General Election, admissions and funding.

Headlines:

HE Act

The biggest risk would have been that the Hannay amendment did not go through. This amendment had been passed, and as a result the University would get inflation on fees, which was a positive outcome.

The Vice-Chancellor noted that the key risk to the University was its number one priority; to grow research power to have the strength to compete in a tough financial environment for the UK.

There was an aim to grow research staff numbers, and the University was on course to reach a ranking of 15th by 2020. Student growth had funded this, but had an impact on space and infrastructure issues and student satisfaction surveys. Latest data on employability showed a 3 percentage point increase, however it was not known where rest of the sector was in relation to this.

The student number expansion had resulted in a one place drop in league tables. Audit Committee was asked to consider whether this was a controlled descent to grow research power or was it something worse? The Vice-Chancellor advised that assurance should be sought that all was heading in right direction.

Brexit

Brexit was described as challenging for the sector, however Exeter is not as exposed as many other institutions as it was not as reliant as many of our competitors on EU student recruitment. The Vice-Chancellor observed that universities taking mostly EU students would struggle to get enough UK students to replace them if needed.

General Election

The Vice-Chancellor discussed the major party's manifesto pledges affecting the sector and the current political climate towards universities within Westminster.

Admissions

The 18 year old cohort remained in decline at 6%, set to fall to its lowest point at 88% of the 2007 figure. There was a declining number of students and a decline in applications.

Medicine was described as growing quickly, and the biggest managerial challenge was how to fund this. It was known that medicine loses money. With world class researchers, the research equipment needs were significant.

The Committee questioned the risk with regard to the number of available students and the competition and how likely it was that the system would allow an institution to go bust? The Vice-Chancellor confirmed that it was more likely that a merger would be sought as a solution

to declining student numbers. It was not currently clear how this would be managed, as HEFCE was to be replaced by Office for Students, which would lean more towards supporting students than to institutions.

Many Universities were said to be running significant redundancy programmes.

The Committee asked whether the University was still aiming to be a top 100 global Institution. The Vice-Chancellor explained that when the University reached the top 100 previously, it had been too much of a jump, and it was therefore harder to get back up in the rankings. It was still felt that the University could achieve top 100 ranking; the difficulty was dealing in an environment in which the sector had had 7 years of research funding decline. The UK was said to be falling in research rankings, and resourcing was an issue looking likely to decline over time. Obtaining top 100 was thought still possible and remained an aspiration but was since Brexit more difficult to achieve.

Lieden data was due to be released showing the University's research world position. The University's quality was described as incredibly high, but the University was too small to hit the big league tables on quantity. The research capacity of the institution needed to be grown. To grow research capacity the University needed to take more students, with related impact on space, infrastructure and the student experience.

Regionally Exeter was disadvantaged as more funding was being directed to other regions. This was considered a core concern for the long term future. The University's Professional Services were responsible for the savings successes to date, with £42m EBITDA achieved last year.

The Committee questioned succession planning across the senior team. It was confirmed that regular discussions on this topic were held between The Chair of Council and the Vice-Chancellor, between the Registrar and Secretary, the Provost and the Vice-Chancellor, plus regular agenda discussion at VCEG.

The Committee asked for focus on the audit plan and areas that it should be concerned about, such as student experience and managing a larger number of students that we have facilities for. The question was raised about whether enough facilities were planned for students and researchers. The Committee was waiting for the Size and Shape paper in order to establish exactly where focus should be applied.

There was a concern raised that the current risk registers did not reflect the context of the risks outlined by the Vice-Chancellor. It was confirmed that defining that the registered risks are appropriate was key. A blank paper exercise was to be conducted by Council in July which would feed in to planning. There was concern that strategic risks should conversely be coming up from planning.

Committee members commented that Audit Committee should look at a top down risk process rather than bottom up, and there was concern that direction was becoming lost in the detail. It was not considered clear what exactly the aims were as a University – was top 10 the biggest drive, or was money the biggest drive? Each of these decisions should be based on in depth risk analysis showing where the impact would be, and how we would know if it goes red.

The Committee agreed to recommend to Council that it must see the size and shape paper in order to make decisions appropriately and to inform Audit Committee on what the key risks were. It was endorsed that risk appetite should be revisited following the review of size and shape.

ACTION: Size and Shape to be discussed at the next Audit Committee meeting (Mike Shore-Nye)

17.26 REPORT FROM THE CONFERENCE CALL WITH BDO: PHISHING ATTACKS (AUD/17/29)

The Head of Internal Audit explained that approximately eighty academic staff had been subject to a phishing attack, 2 attempts of which had been successful. He explained that this had highlighted a weakness in the system. Validation exercises were said to have been in place to allow bank changes to be passed through the phished account and accepted. Insufficient controls had been found to be in place to prevent fraud taking place.

It was confirmed that the case had been dealt with, that the three actions summarised in the paper should go on to list of matters to be dealt with all other outstanding issues.

These actions were:

- Management and internal auditors to be reminded that changes to standing data should be subject to a robust control environment. (Paul Hirst, Insurance, Audit & Risk Manager)
- Compliance Governance and Risk Advisory Group to consider whether the concerns raised by BDO with regard to Single Sign-on need to be factored into the risk scores for IT systems providing access to sensitive information and financial transactions – e.g. Payroll (To be raised at the Compliance, Governance & Risk Advisory Group meeting by Paul Hirst, Insurance, Audit & Risk Manager)
- Compliance Governance and Risk Advisory Group to consider whether the current awareness training on IT security should be supplemented with an all staff communication demonstrating the consequences of responding to phishing emails using the payroll incident as an example. (To be raised at the Compliance, Governance & Risk Advisory Group meeting by Paul Hirst, Insurance, Audit & Risk Manager)

No questions were raised.

17.27 FEEDBACK FROM BUSINESS CONTINUITY EXERCISE: CYBER ATTACKS

The Insurance, Audit & Risk Manager provided a brief summary of the recent exercise involving gold and silver teams. Key learning points from the exercise was that although gold and silver team worked well together, more work was required to consider how to articulate between teams in non-technical language. Plans were in place to undertake a second exercise later in the year.

17.28 HIGHER EDUCATION SECTOR UPDATE (AUD/17/30)

Mike Rowley shared observations from the KPMG HE sector update, highlighting that there were five key impacts across the educational landscape:

- Devolution

- BREXIT
- Schools white paper - Schools agenda
- HE Bill
- Industrial strategy

He commented that the Government was driving through parity between academic and vocational programmes. Technical level qualifications were to be introduced from Level 2 to Masters. There were said to be immediate implications for further education, and some qualifications anticipated to go up to doctoral level from September 2019.

Mike said that previously schools had directed school leavers to go to University, so the parity of esteem with more vocational programmes was likely to have a significant impact on the sector.

An increasing blur between the 3 areas was noted. Mike commented that National Colleges had already been set up for specialisms. Private sector and employer opportunities would become established. He thought it would be two or three years before the impact of this was felt.

Mike also noted that other Universities were completing portfolio reviews and strategically looking at what they were good at, what not so and focusing activity for greatest benefit. A survey across all clients showed key focus on risk management (and effectiveness) compliance, and cyber security. Most were also looking at Audit Committee members' effectiveness – understanding risks, and the effective challenging of management.

17.29 BENCHMARKING OF UNIVERSITY FINANCIAL PERFORMANCE (AUD/17/31)

Mike Rowley provided a summary of the report, highlighting that Exeter fell within the medium range for the number of pages of narrative included in its annual reports. Discussion was held about comparisons between pre and post 1992 universities in terms of external borrowing percentages and capital investments, with a trend for more divergence starting to emerge within the sector.

Positive movements in operating surplus, non-EU tuition fee income, operating cashflow surplus as a percentage of income were also discussed. It was noted that Exeter's pension contribution rates were one of the highest within the sector, however it was confirmed that the University had been actively managing pension liabilities.

17.30 RISK MANAGEMENT UPDATE (AUD/17/32)

The Risk Manager introduced the papers and noted that Council was to be undertake a blank page risk exercise as part of the July Council meeting activities.

She highlighted progress against feedback received from the Committee at the February meeting. She confirmed that through risk dual assurance, risk was now being constantly evaluated rather than a scheduled task according to the risk cycle.

The Committee had requested that risks related to the bribery act should be considered and the Risk Manager confirmed that, as a point of note, it was rare for a single regulative or legislation to have item should be included in the risk register. There was therefore no single corporate risk about the Bribery Act.

17.31 DRAFT FINANCIAL STATEMENTS NARRATIVE (AUD/17/33)

Audit Committee questioned the wording stating that “all applications considered and assessed on merit”. They challenged that consideration was actually based on exam results. It was clarified that the high level statement did include identifying individuals based on potential, who must then meet the entry requirements. The Committee expressed the view that the section on admissions policy should say “all *qualifying* applications are considered on...”

Audit Committee were concerned by the 61.9% figure for state school applicants, as Council were not thought to be aware that the figure was this low. The Chief Financial Officer confirmed that the figure was correct.

The wording with regard to the University playing a direct role in the improvement of schools was questioned. The Registrar and Secretary provided assurance that the University did have direct impact as sponsors and members of the Ted Wragg Multi Academy Trust, the Exeter Mathematics School and the South Devon University Technical College.

Mike Rowley would review the narrative as part of the external auditor responsibility.

Corporate Governance and Control

The Committee requested that there was mention of FXU to identify that there were two student unions, to cover both Cornwall and Devon campuses.

Audit Committee confirmed that it was happy that the note with regard to its responsibility to review and comment on financial statements. It should be noted that the Committee does not approve the statements themselves, but that due process has been followed to produce them. The committee was reassured that this was the case. Approval of the accounts themselves was based on the processes and external audit that has led to their delivery.

- Dual Assurance: It was noted that Dual Assurance Education should include Widening Participation within its title.
- Fundraising standards: The mention of the foundation should be removed as it could be seen as misleading. If someone leaves money to the University it does not get channelled into the Foundation but would default to the Forever Fund.
- Audit Committee mentions: The wording with regard to the Audit Committee responsibilities and responses to Council was approved.
- Accounting processes
- FXU should be added alongside the Students’ Guild

It was also noted that the wording on page 11 of 17 with regard to “non-exchange transactions without performance” should be reworded in layman’s terms.

The Chair handed a noted copy to the Deputy Director of Finance for the correction of typographical errors.

17.32 CHAIR’S CLOSING REMARKS

The Chair confirmed it was Richard Hughes’ last meeting and thanked him for the huge amount of work that he has contributed as an independent member, chair of the committee, lay member and in the role of Pro-Chancellor (Finance).

Thanks were also extended to Nick Caiger, who also retired from the Committee and whose wisdom and keen observational skills were of immense value over the years of his term.

The following papers were noted:

- VC Report to Council - April (**AUD/17/34**)
- HEFCE Institutional Risk Letter (**AUD/17/35**)
- Internal Audit Protocol (**AUD/17/36**)
- Modern Slavery Act (**AUD/17/37**)
- KPMG Fees (**AUD/17/38**)
- Tax Strategy (**AUD/17/39**)