



## UNIVERSITY OF EXETER

### AUDIT COMMITTEE

A meeting of the Audit Committee was held on 22 September 2020 via Teams at 13:00-15:00hrs

### Minutes and Actions

#### Contents:

| <b>No.</b> | <b>Item</b>   |
|------------|---|
| 1          | Welcome and Declarations of Interest  |
| 2          | Minutes of the Meeting 6 July 2020 and Matters Arising (AUD/20/42)  |
| 3          | Terms of Reference and Objectives to consider the objectives for the year ahead (AUD/20/43)   |
| 4          | Draft Annual Audit Committee Report (AUD/20/44)   |
| 5          | Draft University Annual Report and Financial Statements (AUD/20/45)   |
| 6          | Update from the External Auditor  |
| 7          | Update from the Internal Auditor: <ul style="list-style-type: none"><li>- Final Progress Report (AUD/20/46)</li><li>- Cyber Security (AUD/20/47)</li><li>- Data Return (AUD/20/48)</li></ul>  |
| 8          | Financial: <ul style="list-style-type: none"><li>- Lending Covenant Update and New OfS Reportable Event Requirement (AUD/20/49)</li><li>- Loan Strategy (AUD/20/50)</li><li>- Subsidiary Undertakings and Need for Cash Support Loans (AUD/20/51)</li><li>- Financial Controls Update (AUD/20/52A &amp; B)</li><li>- Draft Value for Money Report (AUD/20/53)</li></ul> |
| 9          | Risk Management Report (AUD/20/54)  |
| 10         | Update from the Vice-Chancellor   |
| 11         | Chair's Closing Remarks   |

CONFIRMED

**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:**

|                   |  |
|-------------------|--|
| Heather Ancient   | PWC, Internal Auditor                    |
| Andrew Connolly   | Chief Financial Officer                  |
| Alan Hill         | Chief Information and Digital Officer    |
| Jacqueline Hodges | Deputy Secretary to Council (Minutes)    |
| Chris Lindsay     | Director Compliance, Governance and Risk |
| Mike Shore-Nye    | Registrar & Secretary                    |
| Professor Jo Gill | PVC, Humanities                          |
| Tracey Tuffin     | Interim Internal Audit Manager           |

**Apologies:**

Kate Lindsell Head of Compliance

**Actions summary:**

| <b>Item</b> | <b>Action/Decision Summary</b>  | <b>Owner</b>         | <b>Progress</b> |
|-------------|---|----------------------|-----------------|
| 2           | Circulate the Finance papers to Council to Audit Committee members for feedback on the draft annual report narrative  | CFO                  |                 |
| 3           | Terms of Reference and Committee Objectives to be reviewed in line with the CUC Code and IA Benchmarking Code with recommended amendments presented to the next meeting for approval. | Director,<br>CGR     |                 |
| 3           | Additional objective outlining the Committee's role in response to the pandemic to be added to the 20/21 Objectives with a draft presented to the next meeting for approval           | Director,<br>CGR     |                 |
| 3           | Report back to a future meeting on themes within complaints to inform the Committees view on risks arising from underlying issues and trends.   | Director,<br>CGR     |                 |
| 3           | Confirm details of when the next staff survey will be undertaken at the next meeting  | Registrar            |                 |
| 4           | Draft Annual Audit Committee Report to be circulated following the meeting for comments to be incorporated in the final draft   | Director,<br>CGR     |                 |
| 5           | Circulate the Draft Annual Report and Accounts to Audit Committee members for feedback asap   | CFO                  |                 |
| 7           | Review how actions had been missed from PWC's tracker   | Director,<br>CGR/PWC |                 |
| 7           | Share PWC piece on value with the Committee   | PWC                  |                 |

**1 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.

**2 Minutes of the Meeting 6 July 2020 (AUD/20/42)**

The minutes of the meeting of 6 July 2020 were approved as an accurate record. The Chair commented on the briefing provided by PWC at the previous meeting which had been considered very useful for the Committee. He noted that he had subsequently discussed issues from the report with the Head of Internal Audit at PWC.

The actions from the previous meeting were discussed and the following points made -

**CUC Code for Audit Committees and Internal Audit Benchmarking Code**

It was explained that the requested discussion on the new CUC Code for Audit Committees and Internal Audit Code Benchmarking had been delayed until the October meeting due to COVID-related workload pressures.

The Director, CGR detailed the principles of the CUC code and the Committee noted that it would be helpful to consider a review of the codes in line with the Committee's Terms of Reference and Objectives for the year to identify any gaps. It was agreed that proposed amendments to the ToRs reflecting the new codes would be presented at the Committee's next meeting.

Progress with other actions from the July meeting were discussed and considered to be on track. It was clarified that the point made at July's meeting about how extensions to deadlines for Internal Audit actions were agreed had been a query about whether there was a process issue with the authorization of deadline extensions as they were being approved without the Committee's oversight.

It was also explained that it had not been possible to present the Draft Annual Report and Financial Statements at the meeting as the narrative was still being drafted but commitment was made to circulate it to members following the meeting.

**ACTION: Circulate the Finance papers to Council to Audit Committee members for feedback on the draft annual report narrative (CFO)**

**3 Terms of Reference and Objectives to consider the objectives for the year ahead (AUD/20/43)**

The Audit Committee reviewed the Committee's terms of reference and, in reference to the earlier discussion on the CUC code, agreed that proposals for changes to the terms of reference to align them with best practice as set out in the new codes should be presented to the next meeting for consideration.

**ACTION: Terms of Reference and Committee Objectives to be reviewed in line with the CUC Code and IA Benchmarking Code with recommended amendments presented to the next meeting for approval. (Director, CGR)**

**ACTION: Additional objective outlining the Committee's role in response to the pandemic to be added to the 20/21 Objectives with a draft presented to the next meeting for approval (Director, CGR)**

Members of the committee discussed their attendance at a recent PWC seminar for Audit Committee members and shared observations from the issues discussed in relation to the new code. It was noted that the seminar had highlighted the need of Audit Committees to get under the skin of organisations' culture through its visibility of complaints issues and whistleblowing reports. Query was raised about whether the Committee should include scrutiny of complaints and the Registrar and Director, CGR committed to reflecting on what information could be collated to help inform Committee discussions in future. Ideas proposed included the Annual Report of the Speak Out Guardians that was also shared with Council. The Staff Survey was discussed with the Registrar explaining that the one scheduled for the spring had been paused as a result of the impact of COVID however plans were in development for a new survey to be undertaken.

**ACTION: Report back to a future meeting on themes within complaints to inform the Committees view on risks arising from underlying issues and trends. (Registrar and Director, CGR)**

**ACTION: Confirm details of when the next staff survey will be undertaken at the next meeting (Registrar)**

#### **4 Draft Annual Audit Committee Report (AUD/20/44)**

The Director, CGR introduced the report and invited members to send their feedback on any amendments to the final draft via email following the meeting.

**ACTION: Draft Annual Audit Committee Report to be circulated following the meeting for comments to be incorporated in the final draft (Director, CGR)**

#### **5 Draft University Annual Report and Financial Statements (AUD/20/45)**

The CFO explained that it had not been possible to present the Draft Annual Report and Financial Statements at the meeting. Although progress was on track with the production of the report, the narrative was still in development. Commitment was made to circulate it to members as soon as it was the narrative was complete enough to share.

**ACTION: Circulate the Draft Annual Report and Accounts to Audit Committee members for feedback asap.**

The Chair commented that the figures were looking very positive under the circumstances and praised the management of the university for the way the executive team had reacted to the covid-situation.

#### **6 Update from the External Auditor**

KPMG provided an update on the audit of the accounts and confirmed both teams were working remotely off site and work was progressing well. There were no major issues to report and no issues were anticipated, with the University team being very supportive of providing all the information needed.

**7 Update from the Internal Auditor:**

PWC provided an update on progress with the Advisory reviews, noting that there was a very busy schedule but work was progressing well. It was confirmed that the Head of Internal Audit would be in a position at the next meeting to provide their opinion.

**Final Progress Report (AUD/20/46)**

The outstanding actions at the time of writing of the report were noted, with a number relating to IT and cyber security. The reasons for delays were explained as resulting from the impact of Covid, with some partially completed and further action was subsequently required to be taken. PWC were working with CGR to get the required information to evidence completion.

PWC discussed thought leadership around the management of the sector's response to the pandemic, confirming that a post-lockdown workshop had been undertaken with the university with feedback having been shared with Registrar. It was noted that the team at Exeter had been very engaged with the process and clearly done a lot of work on protection of the student experience within response plans.

**ACTION: Review the how actions had been missed from PWC's tracker (Director, CGR and PWC)**

**Cyber Security (AUD/20/47)****Data Return (AUD/20/48)**

PWC confirmed that the audit had produced a low classification report with one finding. This had resulted in a small recommendation which the team had agreed with.

**8 Financial:****Subsidiary Undertakings and Need for Cash Support Loans (AUD/20/51) and Loan Strategy (AUD/20/50)**

The Committee noted the reports.

**Lending Covenant Update and New OfS Reportable Event Requirement (AUD/20/49)****Financial Controls Update (AUD/20/52A & B)**

The Deputy Director, Finance joined the meeting to present a paper which shared detail of the financial controls and discipline in place within the finance function. The Deputy Director explained that the aim was to illustrate and give examples of the types of controls in place in addition to policies and procedures.

**Draft VfM Report (AUD/20/53)**

The Chair opened the item with insight from a discussion with PWC on "what value means to whom". It was explained that PWC had produced a piece of work that extended the principle of value to and from other stakeholders; including staff and the public. PWC committed to sharing the summary with the Committee.

**ACTION: Share PWC piece on value with the Committee**

CFO introduced the latest draft version of the Value for Money report which had incorporated the Committee's feedback following its earlier consideration at June's meeting. He noted that the report would be presented to Council with the Annual Report and Financial Statements and welcomed any further comments for the final draft.

## **9 Risk Management Report (AUD/21/54)**

The Committee noted the report and received an update on progress with risks associated with Project Restart from the Registrar and Secretary.

It was explained that freshers and arrivals had been underway over the past 10 days and the first day had taken place of teaching the previous day. Initially 25% of teaching had been delivered face to face with the figure set to increase to 50% for preceding week.

An update on incidents of breaches to social distancing guidelines on campus was provided. Details were shared of the student code of conduct and other measures the university had in place to support students and taken action where necessary when safety protocols were not being adhered to.

A testing regime was confirmed to be in place.

The Committee also received a short presentation from the Chief Information and Digital Officer to brief the committee on recent ransomware attacks on other UK universities and steps being taken by the university to act quickly to protect against potential fraud.

## **10 Update from the Vice-Chancellor**

The Vice-Chancellor Professor Lisa Roberts joined the meeting to share with the Committee her view of the current risk landscape for the University and sector.

## **11 Chair's Closing Remarks**

The Chair thanked members for their contributions and confirmed that the next meeting was due to take place on 29<sup>nd</sup> October 2020.

The Committee also noted the following papers:

- Approved Minutes of the Finance Sub Committee (for reference – previously circulated via Boardpacks)
- 4<sup>th</sup> June 2020
- 9<sup>th</sup> July 2020
- 30<sup>th</sup> July 2020
- 20<sup>th</sup> August 2020