

Minutes of University of Exeter Audit Committee Meeting, 20 September 2018

Ted Wragg Room, Northcote House, Streatham Campus

09.00 – 13.00

Members present:

Gerry Brown	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

Officers in attendance:

Andrew Connolly	Chief Financial Officer Susan Fallon
Fallon	Deputy Secretary to Council
Paul Hirst	Insurance, Audit and Risk Manager
Margaret Laithwaite	Deputy Director of Finance
Christopher Lindsay	Director of Compliance, Governance and Risk
Rhiannon Platt	Information Governance Manager and Data Protection Officer (for item 4)
Mike Shore-Nye	Registrar and Secretary
Andrew Thorpe	Pro-Vice-Chancellor and Executive Dean (Humanities)
Tracey Tuffin	Risk and Compliance Officer (for items X-X)
Michael Wykes	Director of Policy, Planning and Business Intelligence

External consultants in attendance:

Chris Mundy	BDO, Internal Audit for Item 6a only
Charles Martin	PWC, Internal Auditors
Lynn Pamment	PWC, Internal Auditors
Mike Rowley	KPMG, External Auditors

1. Welcome and Declarations of Interest

1.1. The Chair welcomed Professor Andrew Thorpe Pro-Vice-Chancellor and Executive Dean (College of Humanities). The Chair also welcomed Lynn Pamment and Charles Martin from PWC as the new internal auditors for the University.

1.2. No declarations of interest were raised.

1.3. 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. Terms of Reference and Objectives for Audit Committee 2018/19

2.1. Attendance at Audit Committee needs to be reviewed as it is considered there are too many Officers in attendance; it would be preferable for attendance to be for specific items only.

2.2. ACTION: Director of Compliance, Governance and Risk to review attendance at Audit Committee meetings and report to the Chair. The Chair to discuss the proposal at the independent Council member's only meeting on 17th October 2018.

2.3. The Chair noted that the Terms of Reference and objectives (AUD/18/41) cover value for money issues; savings plans; an increasingly commercial operation; representation from the academic body and students; and the role of internal and external auditors.

2.4. It was agreed that 'risk management' and 'financial control' be separated into two items.

2.5. It was noted that the University is a labour intensive business and audit is much broader than financial controls; the Committee reminded itself of the boarder governance remit it held.

2.6. The objectives were praised for being ambitious, but it was requested that there was reporting against them to ensure delivery. It was agreed that smart objectives would form part of the agenda by showing which objective was being addressed in each agenda item.

2.7. It was agreed that the objectives reflected the new and commercial environment the University is operating in. They also helped demonstrate the line between assurance, governance and executive management.

2.8. ACTION: Objectives to form part of the future agendas with each agenda item shown against which objective it is addressing.

2.9. DECISION: Subject to the amendments notified at the meeting, the Audit Committee Terms of Reference and Objectives for 2018/19 were approved.

3. Minutes of the previous meeting 15 June 2018 (AUD/18/42)

3.1. It was noted that Hargadon was incorrectly spelt.

3.2. DECISION: with the above amendment, that the minutes be accepted as a true record and approved.

4. Matters arising from the minutes of 15 June 2018

General Data Protection Regulation (GDPR) (AUD/18/43)

4.1. The Information Governance Manager and Data Protection Officer was welcomed to the meeting to provide an update on progress with **GPDR compliance**. She informed the meeting that the full data asset register had been completed, staff had been trained and that the institution, through a team of college and service business managers, had been engaged with the information governance team. From a College perspective, the Pro-Vice-Chancellor and Executive Dean (Humanities) confirmed his staff had engaged effectively.

4.2. Phase 2 is building on this position, including:

- a) Training will continue and become more in-depth as the team seeks to develop and maintaining compliance and build a network of data champions across the institution.
- b) Department action plans are continuing to be implemented.
- c) Key areas of concern in the internal auditor reports undertaken in December 2017 and May 2018 are being addressed.
- d) Policies and procedures have been developed and now work will be undertaken to embed them across the institution.
- e) Work on culture of the organisation (to think data protection) was continuing.
- f) That there was very close with Falmouth University and FXPlus on managing the GDPR risks across the three partner bodies.
- g) That the Information asset register was being managed and developed.
- h) That the skills and structure of the permanent team were being developed.
- i) That Data Protection Impact Assessments were now being embedded at the start of new projects.
- j) That a DPO (Data Protection Officer) auditing programme was being developed.

4.3. It was reported that the volume of the data for some areas is a challenge. However, on a positive note, the success of the College GDPR working group - which has worked collaboratively across all 6 Colleges working as a team and sharing best practise -was praised. It was also noted that the increase in data breaches being reported was a sign that staff were now much more aware of their data protection responsibilities and the relevant legislation and regulation.

4.4. The IG Manager felt the University has achieved a lot and that, should there be a breach that we were required to report to the ICO (Information Commissioner's Office) the institution could confidently demonstrate GDPR compliant plans and systems.

4.5. The Committee discussed:

- a) The need for a specific internal audit of data protection; this was considered not necessary as regular audits look at data protection as part of the review of an area of activity.
- b) The cost of this project was raised, alongside the impact of not undertaking the work and the impact on staff workload.
- c) Dealing with 'pockets' of noncompliance.
- d) Large areas of risk such as IT and cyber. The meeting was reassured that the Information Governance Manager and Data Protection Officer met regularly with the leaders of the University's IT Security team. The integration of information governance and IT security was overseen by the Information Governance and Security Group, which was chaired by the Registrar and Secretary. Each quarter VCEG receive an update from the Chief Information Officer, which includes cyber security.

Mandatory Training (AUD/18/44)

4.6. The Registrar and Secretary updated the meeting on progress on **mandatory training** for staff, referencing paper (AUD/18/44) which detailed the timescale and the interim mitigating measures to improve compliance. He highlighted:

- a) The benefit of ePDR to the training process.

- b) That the University is looking for a digital solution to some of the challenges.
- c) That VCEG reviews progress.
- d) Non-compliance by staff results includes a letter from the Registrar and Secretary.
- e) Building in an ability for staff to complete the training early in the job.

4.7. The Registrar and Secretary praised the project team for their efforts to complete this piece of work.

4.8. The Pro-Vice-Chancellor and Executive Dean (Humanities) added that the ePDR is a game changer for reaching high levels of compliance with mandatory training. He emphasised the need for managers to promote the training requirements, and if needed staff promotions to be withheld until training is complete.

Future Finance Update (AUD/18/45)

4.9. The Chief Financial Officer (CFO) provided a **Future Finance update** to the Committee since the successful Go Live on 1 August 2018.

5. University Annual and Accountability Reports

University Annual Report (AUD/18/46)

5.1. The CFO presented an early draft of the University **Annual Report** for the Committee to comment on. The report is aimed at staff, alumni, philanthropists and the general lay reader. It is based on international framework for integrated reporting and is FRS102 compliant.

5.2. Feedback on the draft included:

- a) The position of UK Universities in society is not currently strong and therefore public impact should be clearly shown: the sector needs to demonstrate its value and be more specific about the benefits of the University i.e. social or regional impact.
- b) It was felt that there was a need for stronger representation of the student voice within the Report.
- c) There was a need to show clearly that Exeter was becoming an international organisation with global links.
- d) Exeter's KPIs should be front and centre, creating a strategic report with a strong focus on delivery.
- e) The current draft was too long.
- f) There was a need for more detail on value for money, both in terms of VFM from activities and VFM given to customers (especially students).
- g) Consideration should be given to employing a copywriter to help draft the final version of the report.
- h) Consideration should be given to benchmarking the report against proven best practice: e.g. comparing with Annual reports from other areas that had won awards in the past.

5.3. ACTION: Next draft to be circulated by email to Audit Committee.

Value for Money Report (AUD/18/47)

5.4. The **Value for Money** (VFM) report is produced primarily for Audit Committee: HEFCE no longer require the report and the Office for Students (OfS), whilst requiring a VFM report, have not yet issued their guidance on its format. However, the University is assuming the OfS guidance will be similar to previous HEFCE guidance. HEFCE did require an Efficiency Return, but the OfS have not so far stated if they will do so. Feedback from the meeting included:

- a) The report featured too much input data rather than VFM assessment.
- b) The efficiency report did not show what the institution was getting from the savings made.
- c) The need for trend data because of the time lag from change to student surveys and other outcome measures.
- d) The need to see what Exeter's targets were.

5.5. It was noted that both PWC and KPMG saw the report has a good example in the sector.

5.6. The Chair noted that the Student Guild would be attending the next meeting of Audit Committee to help the Committee understand what VFM was from a customer perspective.

5.7. The Committee noted the Accounts Direction from the OfS (AUD/18/48).

6. Internal Audit Update

6.1. Chris Mundy from BDO joined the meeting and was thanked by the Chair for BDOs work over the last 4 years as the University's internal auditor, especially the work on UKVI.

Mr Mundy provided:

6.2. The Internal Audit Follow Up Report (AUD/18/50)

6.3. Internal Audit Progress report (AUD/18/51)

The paper summarised progress on audit activity since the last Audit Committee meeting.

6.4. Internal Audit Annual Report and Opinion (AUD/18/52)

6.5. The meeting handed over to PWC, who presented a work in progress version of the internal audit plan for 2018/19.

7. External Audit

8. Draft Annual Report of Audit Committee

8.1. The Director of Compliance, Governance and Risk presented the draft annual report of Audit Committee, which is produced for the Vice Chancellor, Council and Audit Committee.

8.2. ACTION: Any further comments on the draft Annual report of Audit Committee should be sent to the Director of Compliance, Governance and Risk, before the report is considered for the final time at the meeting on 9 November 2018

9. Data Assurance Update

9.1. The Director of Policy, Planning and Business Intelligence presented the data assurance update to the Committee. He emphasised the focus on the UNISTATS data return which provides data on 184 Exeter courses on the UNISTATS website. The OfS have offered a prize to the private sector to develop apps to provide this information to potential students in a more useful way.

10. Draft Financial Regulations

10.1. The CFO informed the Committee of the need to update the University's financial regulations and to update the signposting to relevant procedures and policies. Once completed, there would be communication and training to follow. It was noted that this was a clear and helpful document. The immediate comments were as follows:

- a) Section 18 page 22 – 18.3 and 18.8: two references to Dual Assurance and 'spending run is set annually by Dual Assurance' – Dual Assurance is not a decision making group; the language needs to be amended so as not to imply this.
- b) Page 14: How much control the CFO holds for writing off debts needs to be reconsidered to ensure.
- c) Need to reference the Procurement waiver protocol.

10.2. ACTION: Further comments on the draft Financial Regulations to be emailed to the CFO before this document goes to VCEG and the December Council meeting.

11. Risk Management

11.1. It was reported that the first formal report of the 18/19 risk management cycle was due in November, so that the paper presented at the current meeting was a summary of activity since the last Audit Committee meeting in June 2018. Currently the team were discussing definition and scoring of risks with Colleges and Services. .

11.2. Other activities included:

- The team, with the Independent Lead for Risk Dual Assurance, are currently planning the work shop for risk for the Council meeting due to be held on 18 October 2018.
- The internal auditors in quarter 1 will be reviewing risk management.

11.3. Reputational risk management was discussed. It was agreed that if it is included in the corporate risk register and the University Annual Report, it should be in a measured,

justifiable way and which includes what Exeter is doing to mitigate the risk and why it is more important than other risk which is scored lower, i.e. wellbeing.

- 11.4. The Committee also asked that consideration be given to including the pension risk as a key risk, even though it is currently scored at a non-reportable level.

12. Date of the next meeting

8 November 2018 10.00 – 14.00