

**University of Exeter**

**AUDIT COMMITTEE**

**SUMMARY MINUTES FOR PUBLICATION**

Thursday 3<sup>rd</sup> November 2016

PRESENT: Mr Nicholas Bull FCA (Chair) (2018)  
Mr Richard Hughes FCA (2017)  
Ms Judy Hargadon (2017)  
Mr Nick Caiger (2017)

APOLOGIES: Mr Nick Swift ACA, ACT (2018)

IN ATTENDANCE: Registrar and Secretary, Mr Mike Shore-Nye  
Chief Financial Officer, Mr Andrew Connolly  
Deputy Financial Director, Ms Margaret Laithwaite  
Director of Planning, Policy and Business Intelligence, Mr Michael Wykes

Head of Governance and Compliance, Mr Christopher Lindsay (Secretary)  
Risk and Compliance Officer, Ms Tracey Tuffin

Mr Chris Mundy, BDO  
Mr Mike Rowley, KPMG

Assistant Director, HR Policy and Reward, Mr Andrew Johnson (for item under minute 16.39)

Financial Accountant, Ms Tanya Hitchen (for item under minute 16.42)

Director of Policy, Planning and Business Intelligence, Mr Michael Wykes (for item under minute 16.38 (e))

CIRCULATION: Audit Committee Members and Officers/Council circulation

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16.35 Declarations of Interest

REPORTED:

That there were no declarations specific to this meeting.

16.36 Terms of Reference

RESOLVED:

That, subject to an amendment at section 6.6 to clarify that Audit Committee could only “be called upon in specific situations” by Council, the Terms of Reference were agreed and it was agreed they should be uploaded marked as “Updated November 2016”.

**ACTION: The Risk and Compliance Officer to make the amendment and arrange for the new version of the Terms and Conditions to be uploaded to the Audit Committee webpage.**

16.37 Minutes

REPORTED:

- (a) That the revised minutes from the meeting held on 9<sup>th</sup> June 2016 be approved.
- (b) That subject to the correction of typographical errors, including an amendment at minute 16.26 (c) to ensure reference to USA Federal Loan Compliance as opposed to “USA Federal Tax Compliance”, the minutes from the meeting held on 30<sup>th</sup> September 2016 be approved and provided to the Council board packs.
- (c) That the Committee was concerned by the number of errors and omissions that remained in the minutes circulated, and requested that in future more care be taken in their preparation.

**ACTION: The Risk and Compliance Officer to make the amendments and submit to the Deputy Secretary to Council for inclusion in board packs and for the Registrar and Secretary to agree a revised protocol for minute review with the Chair.**

16.38 Matters Arising in the Minutes

- (a) Minute 16.17 Terms of Office of Members

REPORTED:

That the amendment to the minutes include the terms of office of the members of the Committee completed this action.

- (b) Minute 16.18 Terms of Reference of Audit Committee (report to Council, paper AUD/16/53)

REPORTED:

That the note from the Council meeting held 13<sup>th</sup> October 2016 confirming the update from the Chair of the Committee reflected the requirement for the committee to report to Council annually.

- (c) Minute 16.20 (a) Dual Assurance Minutes

REPORTED:

That the minutes from all Dual Assurance Groups were now available on BoardPacks for members of Council.

- (d) Minute 16.21 Information Security and Information Governance (report to VCEG, paper AUD/16/54)

REPORTED:

That the note from the meeting of VCEG held 17<sup>th</sup> October 2016 did not state whether a policy decision had been made to block access to the dark web via TOR browsers. The Registrar and Secretary confirmed that blocking access to TOR browsers remained under investigation for cost and feasibility, and that Audit Committee, VCEG and Council would be kept informed of progress.

- (e) Minute 16.22 (vi) Risk in Relation to KPIs

CONSIDERED:

A presentation of the KPI dashboard from the Director of Policy, Planning and Business Intelligence.

REPORTED:

That the Committee was very impressed by the KPI dashboard, and felt it provided very good visibility of the University's position against the suite of KPIs. The ability to clearly establish early warnings of variation from target was shown, enabling identification of where focus should be directed.

It was questioned how often the data behind the KPIs was reviewed for relevance, and whether real time or snapshot data was displayed. It was confirmed that the data was constantly assessed. Comparator data is released annually, therefore comparisons were trickier to report. It was not always clear what other Universities were including within their data sets.

The Committee was concerned that commercially sensitive data could be accessed via this dashboard, however assurance was provided that all data was protected behind single sign on access, and some data protected further behind approved access to COGNOS. The Committee congratulated the Director of PPBI and his team for their hard work, and requested access to the dashboard.

RECOMMENDED:

That the dashboard be presented to Council for context with regard to strategic decision making.

**ACTION: The Director of Policy, Planning and Business Intelligence to provide the link to the Business Intelligence dashboard and the FAQ document to the Committee members.**

**The Registrar and Secretary and Director of Policy, Planning and Business Intelligence to speak to the Deputy Secretary to Council to arrange presentation to Council.**

(f) Minute 16.23 Data Assurance

CONSIDERED:

(i) An update from the Director of Planning, Policy and Business Intelligence on the risk score for the data submission with regard to the DHLE survey (paper AUD/16/55).

and

(ii) An update from the Director of Policy, Planning and Business Intelligence detailing the workings behind data collation for the statutory return (paper AUD/16/56).

RESOLVED:

That the papers considered did not provide visibility of the key risks, assumptions and mitigating actions that should be known in order to sign off the submissions. In order to provide assurance against the process, the Committee required evidence that a review of risk and mitigation formed part of the approval process. With regard to the DHLE return, clarity was required on what constitutes a “graduate” job.

**ACTION: Director of Planning, Policy and Business Intelligence to provide the full approval documentation for the HESA return including risk review for all future final data assurance reports, and the formal definition of a graduate job.**

(g) Minute 16.24 (iv) Desktop Review of Dual Assurance

REPORTED:

That an email had been sent from the Chair of the Committee to all Dual Assurance leads, together with a copy of the internal audit report on Dual Assurance, drawing attention to the concerns raised. It was noted that the email clearly set out requirements and expectations going forward.

(h) Minute 16.27 Update on Audit Recommendations

REPORTED:

That the identified mismatch between the number of high priority recommendations reported by BDO and those reported by the Governance and Compliance Office had been traced and was reported in the audit recommendation update later in the meeting.

- (i) Minute 16.25 Revised Annual Report of Audit Committee (paper AUD/16/57)

RESOLVED:

That the following further amendments be made to the report:

- (i) That wherever meetings or activity are mentioned, the year should be included for clarity.
- (ii) That the table on page 57 should be verified as it was felt the numbers did not add up.
- (iii) That the second paragraph on page 6 be amended to "... raise the profile of the increasing risk of information security", and to show that VCEG as well as Council now regularly review this risk.
- (iv) That at section 10.9 the header should read "Accounting Standard" as opposed to Accounting System.
- (v) That the amended detail of section 8 provided by the Chief Financial Officer was approved, subject to the addition of the numbers and reappointment detail for KPMG, to be obtained from paper AUD/16/60.
- (vi) That section 6.6 should be amended to read that "Risk Dual Assurance has been established by Council, and this work is also overseen by Audit Committee".

**ACTION: Risk and Compliance Officer to make the amendments and recirculate the report with the amendments flagged.**

- (j) Minute 16.32 Professional Advice Tenders

RECEIVED:

A report from the Chief Financial Officer setting out the dates and details of the tender for internal audit. The Committee noted that the contract for internal audit was due for tender in academic year 2017/18 and that the University was currently in the first "roll on" year of two specified in the original "2+2" contract with BDO.

RESOLVED:

That the 2017/18 tender for professional advice be discussed at the meeting of the Audit Committee due to be held on 24 February 2017.

- (k) Minute 16.33 Review of FOI Request Refusal (Exemption)

REPORTED:

That the review conducted by BDO had found that the process had been followed with the exception of a timing delay and a potential conflict of interest with regard to the member of staff who had conducted the initial review. A further review was

underway by a member of the senior management team independent from the original request or review, and the requestor had been made aware. It was agreed that this item could now be closed as far as Audit Committee was concerned.

(l) Minute 16.20 (c) Expenses Policy

REPORTED:

The Chief Financial Officer confirmed that the expenses policy was now in its final revision having undergone some significant changes to remove ambiguity and clarify what can and cannot be claimed for. This would be submitted to VCEG and the approved policy would be brought to the February meeting.

**ACTION: Chief Financial Officer to provide the approved policy for the next meeting**

16.39 UKVI Audit

CONSIDERED:

An update from the Assistant Director, HR Policy and Reward on actions with regard to the recent internal audit of UKVI compliance.

REPORTED:

- (a) It was confirmed that in May 2016 the HR department identified that there was an issue with a small number of T4 students working in excess of the permitted 20 hours per week. This was reported to the Home Office in accordance with UKVI regulations and immediate actions were put in place to review historic data to identify any other instances and to mitigate any future occurrences. In addition, HR had requested that the BDO UKVI audit planned for 2017/18 was brought forward to assist with identifying further mitigating actions.
- (b) The audit was conducted in July 2016 covering students, staff and casual workers and gave limited assurance with 9 recommendations, 4 of which were noted as high priority. Management and BDO confirmed that the audit in July reflected that issues had already been recognised, work streams were already underway and that this should be acknowledged. It was noted that the University is in a significantly better position now to that at the date of the audit.
- (c) Amendments made to the eClaims system automated checks had effectively closed all but recommendation 7 (low priority) with regard to Colleges and Services engaging their own casual workforce and submitting details to HR after the work has been completed. In these cases right to work checks would not be completed prior to work being undertaken.
- (d) Communications had been sent to all relevant staff reminding them that casual workers must not be engaged prior to right to work checks being completed. The student registration process now also included self-confirmation that the student was aware of the restrictions on working hours where this was applicable. In the

longer term, a broader review of the casual workforce was to be undertaken, investigating the potential to outsource the procurement of casual workers.

- (e) Confirmation was provided from BDO that there is ill-preparedness across the sector in this area, and that the University is not in an isolated position. The key was to show that the University was responding to concerns appropriately, and it was felt this was demonstrated by actions detailed above.
- (f) A Home Office UKVI audit was expected as a response to the notification of the identified issue in May 2016. It was not known when this would occur, however due to the known issues across the sector, it was not likely to be in the very near future.

RESOLVED:

- (a) That a further internal audit be conducted in January 2017, in order to provide assurance that the actions implemented in response to the recommendations identified in the July 2016 audit could be demonstrated as effective.
- (b) That the names of recommendation owners were provided, as well as their role titles.

**ACTION: BDO to conduct a further audit in January 2017 focused on management responses and updated assurance, reporting back to the February meeting.**

**BDO to liaise with the management leads to obtain named owners for all recommendations, and obtain these as an absolute requirement going forward.**

16.40 Internal Audit Progress Report (paper AUD/16/67)

RECEIVED:

A progress update from the internal auditors on activity completed against the 2016/17 internal audit plan.

16.41 Meeting with Internal and External Auditors without Officers Present

REPORTED:

- (a) That the committee held a meeting with the internal and external auditors without officers present. Following this meeting, a discussion was held with regard to the data used for Business Intelligence and whether this was monitored in real time to allow early warning indicators or as snapshots at reporting cycles. No actions arose from the meeting with External and Internal auditors without officers present
- (b) The Director of Policy, Planning and Business Intelligence confirmed that the data feeds were drawn into the management information pack in real time, and that there was always visibility of where the University was against targets. Significant progress had been made in this area during 2016 and the BI team was turning the data into real intelligence. The chief constraint was seen as public availability of comparator data, which was only published annually. The University hoped to

mitigate this by setting very high and stretching targets as a defence against variation in competitor performance.

- (c) It was reported that the team worked with a continuous improvement ethos, constantly probing for further confidence in internal data and forecasts. Tracking trends allowed for corrective action to be taken in advance if a target looked to be slipping. Evidence of this in action could be seen with the trend in admission numbers prompting management plans to balance and trade off to minimise losses.

RESOLVED:

That the Committee was satisfied with the response from the Director of PPBI.

16.42 Draft Financial Statements for the University for the year ended 31 July 2016 (paper AUD/16/59)

CONSIDERED:

- (a) The draft financial statements of the University for the year ended 31 July 2016 (AUD/16/59)
- (b) The External Auditors' Highlights and Management Letter in respect of the University's Financial Statements for the year 2014/15 (AUD/16/60)
- (c) The University representation letter (AUD/16/61).

REPORTED:

- (a) The external auditor's memorandum and highlights letter (paper AUD/16/60) was reviewed. It was noted that the outstanding items referred to in the executive summary had now been resolved.
- (b) That there were three audit recommendations, which related to:
  - (i) Consistency of journal authorisation (low priority). It was noted that this would be addressed by the new finance systems.
  - (ii) Employee existence checks to ensure that all employees on the payroll system are genuine employees (medium priority). Again, this will be addressed by the new finance systems and an interim process is in design for immediate mitigation.
  - (iii) Reporting capability to identify in-year changes to payroll and supplier data (low priority). Again, this would be addressed by the new finance systems.

RESOLVED:

- (a) That the Committee was satisfied that the non-audit work completed by KPMG was sufficiently independent from the audit work.



- (b) A question was raised about the retention of a revaluation reserve given that the University had moved to the deemed cost model and no longer revalued its fixed assets. Mr Mike Rowley thought it was only a requirement for universities constituted as companies to retain such a reserve and as the University was not a company that it might be able to merge the reserve into its unrestricted I&E reserves.
- (c) That, subject to the correction of typographical errors notified at the meeting and further consideration of the revaluation reserve issue by the Chief Financial Officer, the financial statements, the external auditor's highlights and management letter and the University representation letter be recommended, subject to the approval of VCEG, to Council.

16.43 Value for Money Report (paper AUD/16/62)

CONSIDERED:

The University's annual report on value for money 2015/16 (paper AUD/16/62, copy attached).

REPORTED:

- (a) That the report was presented to enable Audit Committee to form an opinion on VFM to inform its own annual report. From this academic year, the report also forms part of the annual accountability return to HEFCE. A large part of the report focused on the Transformation project with regard to cost savings, alignment to strategy and efficacy to review VFM in the wider sense.
- (b) An annex document was also provided, which demonstrated how the University ensured VFM in its procurement activity during the 2015/16 financial year and how further improvements were being made.

RESOLVED:

- (a) That while the value for money report provided assurance in general across the University's activity, there was concern it did not include reference to VFM with regard to academic performance, other than reference to staff to student ratio. The Chief Financial Officer confirmed that the level of surplus for each college was one measure of the overall financial efficiency of academic performance.
- (b) That the wording of the annex document should be reviewed to ensure that it was appropriate for a key governance document that would be submitted to HEFCE, for example "obstacles to VFM".
- (c) That reference to the University's planning and budgeting process should be included to reflect embedded review of resources and their alignment to deliver institutional strategies.

**ACTIONS: Chief Financial Officer to review and correct the wording of the annex document**

**The Risk and Compliance Officer to update the Annual Report of Audit Committee to state that the VFM report was received in November 2016.**

16.44 Financial Irregularities (paper AUD/16/63)

CONSIDERED:

An update from the Chief Financial Officer on existing policies and training provision relating to the prevention of financial irregularities and to provide a summary of instances identified and investigated during 2015/16.

REPORTED:

That there have been increasingly sophisticated attempts at obtaining payments via means such as false email requests, but that controls were in place to prevent payment without official authorisation. The new finance systems would have a structured workflow authorisation process, adding a further layer of security.

RESOLVED:

- (a) That the committee was satisfied with the conclusions and that existing controls were effective.
- (b) That section 4.4 be amended with regard to possible attempted money laundering to clarify that no money had been lost.

**ACTION: Chief Financial Officer to make the amendment to section 4.4 and recirculate.**

16.45 The University Fraud Policy Statement (paper AUD/16/64)

CONSIDERED:

The University fraud policy statement, which was published on the University website.

RESOLVED:

- (a) That the Committee was satisfied that no amendments were required to the current policy.
- (b) That the University Whistleblowing report should be reviewed at the next meeting of the Committee.

**ACTION: Head of Governance and Compliance to establish whether there had been any whistleblowing reports and provide an update at the next meeting.**

16.46 Audit Recommendations Update (paper AUD/16/65)

CONSIDERED:

An update from the Risk and Compliance Officer with regard to activity underway to follow up progress with audit recommendations.

REPORTED:

- (a) That the identified mismatch between the number of high priority recommendations reported by BDO and those reported by the Governance and Compliance office had been traced to a small number of final audit reports being returned to management without being seen by the Risk and Compliance Officer. These have now been received and included in the master recommendations report. All future audits would be copied to the Risk and Compliance Officer for inclusion in the report and the follow up process. A full report was not provided for this meeting due to the short amount of time from the previous meeting.
- (b) That meetings were due to be held throughout November between the Registrar and Secretary, the Risk and Compliance Officer and the owners of audit recommendations and a full report would be provided at the next meeting of the Audit Committee.

RESOLVED:

That the Committee strongly confirmed there should be no aged audit recommendations open at the date of the next meeting originating from the Mazars audit period, which predated the current BDO audit contract. The age of the audit should be stated within the report to enable this action to be managed effectively.

**ACTION: Risk and Compliance Officer to provide an update at the next meeting, including the original audit dates against outstanding recommendations.**

16.47 Risk Management

CONSIDERED:

An update from the lay lead for Risk Dual Assurance concerning the first report of the 2016/17 cycle considered at the meeting of the Risk Dual Assurance Group held on 3 November 2016. The report would be delivered to VCEG at its meeting on 21 November 2016 and to Council in December, noting that the report had identified the key current risks to the University and the associated managing actions.

REPORTED:

- (a) That a review had been conducted by the Risk Dual Assurance Group of risks allocated to Category 3, Unknown/Unexpected risks, and assurance gained on the understanding of these risks and the appropriateness of their allocation to this category.
- (b) That two new corporate risks had been registered:
  - (i) The risks posed by BREXIT at an institutional level. The impact on research funding had previously been reported, however the corporate risk looked at the wider institutional impact.

- (ii) The risks posed by the Competition and Markets Act and the Consumer Rights Act, with students being treated as consumers in a much more open and competitive recruitment market. It was noted that significant progress had already been made in this area and that work was ongoing.
- (c) The assignment of all corporate risks and all reportable college and professional service risks to Dual Assurance areas according to their areas of expertise had also been reviewed at the meeting of Risk Dual Assurance Group. Risks relevant to each group would be disseminated for their review shortly.
- (d) It was recommended that the blank paper discussion on risk conducted annually by Council should be moved to the July meeting rather than December. This would help align the outcomes with the first report of the next risk management cycle.

RESOLVED:

- (a) That the Committee was satisfied with the assurance of the risk management process provided by the lay lead for Risk Dual Assurance, and agreed with the recommendation for the Council blank paper exercise to be moved to the July meeting.
- (b) That the top risks to the University should be provided to the Chief Financial Officer to include in the Business review narrative section of the financial statements.

**ACTION: Head of Governance and Compliance to speak to the Deputy Secretary to Council to arrange the blank paper exercise for July**

**Risk and Compliance Officer to provide the top 5 risks to the Chief Financial Officer**

16.48 Data Assurance

CONSIDERED:

An oral update from the Director of Policy, Planning and Business Intelligence with regard to (i) Initial Teacher Training Census and (ii) Medical and Dental Students Survey.

RESOLVED:

That it was too early in the process for these data sets to provide a substantial review, therefore they should be considered in more detail at the next meeting of the Audit Committee.

**ACTION: Director of Policy, Planning and Business Intelligence to provide an update at the next meeting.**

16.49 Modern Slavery (paper AUD/16/69)

CONSIDERED:

A report from the Head of Governance and Compliance on the University's compliance with the Modern Slavery Act, noting that the University was deemed for the purposes of the Act to be a commercial organisation and therefore subject to its powers.

REPORTED:

That the Modern Slavery Act required:

- (a) The creation and agreement of a University policy on Modern Slavery, a draft version of which was provided for the information of the Committee.
- (b) That there was also a requirement for a detailed slavery and human trafficking statement for each financial year, to be approved within 6 months of the formal approval of the financial statements. It was noted that the statement for 2016/17 was in development.

RESOLVED:

That a review should be conducted of how the University contracts with suppliers and whether this takes into account the act, for example with the supplier of the sweatshirts sold in the University shops. A due diligence process should include verifying that suppliers comply with the act.

**ACTION: Head of Governance and Compliance to look into the due diligence requirements with suppliers and report to the next meeting.**

16.50 QA Operating Model and Processes (paper AUD/16/71)

CONSIDERED:

An update from the Head of Governance and Compliance on the new HEFCE quality assessment framework and its incorporation into the core HE regulatory structure.

REPORTED:

- (a) That Council, as the University's governing body, was required to provide direct assurance to HEFCE with regard to the assurance of the quality and standards of the University's education provision. This assurance would be tested by a data driven Annual Provider Review. HEFCE would then confirm, via its annual statement of risk to each provider, whether the provider (i) met requirements or (ii) met requirements with conditions or (iii) confirmation of meeting requirements was pending. It was also noted that meeting the basic requirements of the QA operating model was a condition of entry to the TEF.
- (b) That the paper AUD/16/71 provided an account of how the University has assured itself of the quality of its education in order to meet the requirements of the review.

The same update had been provided to VCEG and would be provided to Senate on 9<sup>th</sup> November and to Council on 24<sup>th</sup> November.

RESOLVED:

- (a) That although that it was clear that a lot of activity is underway, the committee did not feel that it was best placed to form an opinion on or recommend approval of this process. It was agreed that approval should rest with Senate to make the recommendation to Council.
- (b) That going forward, it should be made clear on the Audit Committee agenda whether an item is presented for approval/decision/information.

**ACTION: Head of Governance and Compliance and Risk and Compliance Officer to review the structure of the meeting agenda to clarify the purpose of each item.**

16.51 Sector Update (paper AUD/16/76)

RECEIVED:

A sector update from Mike Rowley from KPMG, noting:

- (a) That the sector was expanding and also changing shape, and some changes in the FE sector would also have an impact in the HE sector.
- (b) That the University was doing well amongst its comparators.
- (c) Across the sector, publicly funded teaching was just breaking even, research activity was negative and non-publically funded teaching activity was supporting all other areas. Many Universities were reviewing and assessing whether they should no longer participate in some aspects of research due to lack of return/impact/outcomes. In general, focus needed to be applied to determine what each institution wanted to be good at.
- (d) That industry and impact focus was mixed across the Russell Group. Brand had become a very big issue, with this group in particular was concerned about the TEF and the Gold/Silver/Bronze ranking being seen as a kite mark.
- (e) Partnership and collaboration were increasingly being seen as areas of challenge, as are the TEF, government funding and employer led learning. The apprenticeship levy could create alternative routes for prospective students to achieve their career aims removing Universities from the preferred choice in some cases. This could also lead to a reduction in graduate destinations if large companies chose to take apprentices to learn in situ as opposed to university graduates.

16.52 Vice Chancellors Report to Council (paper AUD/16/71)

RECEIVED:

- (a) The report of the Vice-Chancellor to the meeting of Council held on 13 October 2016

(b) The Report from the VCEG Residential and SMG Planning Day 2016 (paper AUD/16/72)

16.53 CMA Guidance to Higher Education on the Consumer Rights Act (paper AUD/16/73)

RECEIVED:

Papers on the CMA guidance to HE on the CRA and the University's response.

16.54 Date of the Next Meeting

TO REPORT:

That the next meeting of audit committee will be held on 24<sup>th</sup> February 2017 at 10.00am in the Ted Wragg room, Northcote House