

UNIVERSITY OF EXETER

**AUDIT COMMITTEE**

**SUMMARY MINUTES FOR PUBLICATION**

Friday 30<sup>th</sup> September 2016

PRESENT: Mr Nicholas Bull FCA [Chair] (2018)  
Mr Nick Swift ACA, ACT (2018)  
Mr Richard Hughes FCA (2017)  
Mr Nick Caiger (2017)

APOLOGIES: Ms Judy Hargadon (2017)

IN ATTENDANCE: Chief Financial Officer, Mr Andrew Connolly  
Deputy Director, Finance Services, Ms Margaret Laithwaite  
Director of Policy, Planning and Business Intelligence, Mr Michael Wykes  
Director of HR. Ms Jacqui Marshall

Head of Governance and Compliance, Mr Christopher Lindsay (Secretary)  
Risk and Compliance Officer, Ms Tracey Tuffin  
Deputy Secretary to Council, Ms Jacqueline Hodges

Mr Chris Mundy, BDO  
Ms Ruth Ireland, BDO

Chief Information and Digital Officer, Mr Alan Hill and Information  
Governance Manager, Ms Rhiannon Platt (for item under minute 16:21)

CIRCULATION: Audit Committee Members and Officers/Council Circulation

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16.17 **Declarations of Interest and Membership**

REPORTED:

That declarations for all members are held and there are no conflicts.

CONSIDERED:

It was noted that Ms Sarah Buck is no longer a member of the committee and has not yet been replaced. The Chair of the committee is in discussion with the Chair of Council to resolve this.

**Action – The Risk and Compliance Officer to include the end dates for membership terms in each set of minutes for future reference *complete*.**

16.18 **Terms of Reference**

## CONSIDERED

The Terms of Reference of the Audit Committee, (paper AUD/16/39) were approved with the following notes:

- (i) HEFCE guidance states that Audit Committee should contain a minimum of 3 members of council. The University committee has 4 Council members.
- (ii) The final sentence of section 5.2 relating to direct expenditure should be removed, as it is contradictory.
- (iii) Section 5.3 states that Council will review the Annual Report of Audit Committee. It should be the case that Council also reviews the efficacy of the Committee. With effect from the 2016/17 academic year, a presentation will be made to Council, and questions taken by the Chair of Audit Committee.
- (iv) Under section 6.6 "Other", a bullet point should be added stating that the committee can be called upon in specific situations to request assurances as appropriate.
- (v) That the beginning of section 6.7 be expanded to state that the minutes of meetings of the Audit Committee will be published within Part II of the agenda for Council meetings.

**Actions:**

- **Deputy Secretary to Council to arrange for the Chair's presentation to Council**
- **Risk and Compliance Officer to make the noted amendments to the Terms of Reference and bring to the next meeting.**
- **Risk and Compliance Officer to review Terms of Reference of our defined peer group for reference**

### 16.19 Minutes of the last meeting

RESOLVED:

That the minutes of the meeting held on 9<sup>th</sup> June 2016 be approved.

**ACTION - Risk and Compliance Officer to send an amended version of the minutes with typographical errors removed to the Chair for signature.**

### 16.20 Matters Arising in the Minutes

- (a) Minute 16.03 (a) Desktop Audit of Dual Assurance

REPORTED:

That the desktop audit of Dual Assurance had been completed and was reported with the Internal Auditors update on progress.

RECOMMENDED:

That the minutes from Dual Assurance meetings should be included in part II of Council meetings to provide assurance of activity.

**ACTION – Deputy Secretary to Council will upload Dual Assurance minutes to the Boardpacks electronic system to be used by Council for Council papers.**

(b) Minute 16.03 (b) Information Security

REPORTED:

That confirmation had been received from the CIDO that the Information Security risk was documented with mitigating actions and would be included in the next report of the risk management cycle. Information Security and Information Governance would also be covered as a separate agenda item within this meeting

(c) Minute 16:03 (f) Expenses policy

REPORTED:

(By the Chief Financial Officer)

That the new policy has not yet been completed as it required extensive redraft. Internal audit has impacted this, and the new timescale is to present to VCEG in October 2016. A formal communication plan will follow VCEG with a full launch to be completed in the New Year. A further audit review should then be completed at the beginning of the 2017/18 academic year. It was confirmed that this is already included within the audit plan. In the interim, the Finance Operations team review expenses and identify anything that falls outside of policy.

(d) Minute 16:04 Discussion with the Vice Chancellor

RESOLVED:

That in the reporting of the Vice Chancellor's discussion within the minutes, decimals should be amended to 1 decimal place as business standard.

(e) Minute 16:05 Employability

REPORTED:

That new employability data had now been received. The University was 29<sup>th</sup> and is aiming to move from achieving 80% to 83% to obtain 25<sup>th</sup> place. The aim is to reach a top 10 (85%) target by 2020.

(f) Minute 16:06 UKVI

REPORTED:

- (i) That HR had new procedures in place to check for breaches of UKVI regulation and has asked the Home Office for confirmation these measures were sufficient to ensure compliance. Exeter was seen as a low risk.
- (ii) Further checks had been completed by HR, identifying 5 more breaches. The temporary staff bank was seen as an issue as the same temporary staff could be working in different areas where the combined hours exceed the maximum allowed. A resolution was being worked towards including communications to students and staff and making it a disciplinary offence to sign off without checking full hours worked.

16:21 **Information Security and Information Governance**

The Chief Information and Digital Officer (CIDO) and the Information Governance Manager were in attendance for this item.

CONSIDERED:

A presentation from the CIDO and the Information Governance Manager detailing progress against the Information Security and Information Governance risks.

REPORTED:

- (a) The Information Governance Manager was completing a gap analysis and a plan was in progress to raise information governance awareness. This is to ensure that technical controls put in place are not bypassed by personnel, and Data Protection and freedom of information legislation is observed.
- (b) That it was now possible to provide substantial assurance with regard to in-train activity, including imminent mandatory information security training and the development of robust policies for both security and governance. It should be noted that as the activity evolves, the position of the University will appear to get worse before it improves. This is not due to a change in the risk but to increased visibility of issues, and was seen as the appropriate path to follow.
- (c) The CIDO explained the use of TOR browsers, which allow anonymous browsing to the dark web that may prove dangerous to security. A policy decision to allow the use of these browsers to be blocked is requested. It is noted that while this action would prevent access to the dark web, it will also prevent access to some genuine research areas. Therefore the following should be taken into account:
  - (i) Blocking access to TOR browsers will result in staff and students being unable to access certain research areas on the internet. The existing University Terrorism Code of Conduct can be utilised to allow access in a managed way for genuine teaching and research reasons.

- (ii) The controlled use of TOR browser blocking provides a substantial positive action to be recorded against the Universities obligations under the Prevent duty.

RESOLVED:

- (a) The Committee was supportive of this request, and recommended that it was considered by VCEG.
- (b) That the Committee wished VCEG to have strong visibility and understanding of the the Information Security risk and recommend that it should be an item on the agenda for all meetings of VCEG, with a quarterly report to Council.

**ACTION:**

- CIDO to provide the presentation seen today at the October meeting of VCEG
- CIDO to provide a paper to VCEG proposing the blocking of TOR browsers, to be delivered to VCEG in October and accompanied by the recommendation of Audit Committee.
- Deputy Secretary to Council to speak to the Registrar and Secretary with regard to a quarterly Information Security Report.

16:22 **Internal Audit Plan**

CONSIDERED:

The amended Internal Audit Plan for 2016/17 (paper AUD/16/41) with requested amendments incorporated.

RESOLVED:

That the Committee had the following remaining concerns and comments:

- (a) The risk scores listed at the beginning of the report reflected the risk at the time that it was requested and was not a contemporary view.
- (b) A concern was raised that audits previously receiving limited assurance were not being revisited. The internal auditors and the Risk and Compliance Officer confirmed that any issues raised at audit were being addressed by the audit recommendation follow up process, which gathers evidence that required improvements are being made.
- (c) It was queried whether staff expenses should be reviewed again. The work this year has focused on the design of the policy. The next review should take place when the policy has had a chance to embed, and is scheduled for 2017/18.

- (d) The Procurement Management and Tendering review should focus on required changes to the process, and clarify roles within the interface between Cornwall and Exeter.
- (e) EU funding for research will form part of BREXIT risk which will be presented in the next report of the risk management cycle in November 2016.
- (f) The KPIs for risks should be presented as a dashboard for visibility and understanding of the link to operational mission, vision and values. A KPI dashboard report is due to be presented by the Director of Policy, Planning and Business Change at the October meeting of Council. It was requested that all Audit Committee members should receive the minutes of Council meetings.
- (g) The Committee noted that the spend on internal audit days had increased over the past year. It was explained that due to Transformation, there had been an increased number of audits to confirm that re-homed activity was continuing effectively. The number of days is expected to drop to normal levels once this has completed.

**ACTION:**

- **The Risk and Compliance Officer will work with BDO to ensure that risk scores are presented as a contemporary view.**
- **The Director of Policy, Planning and Business Change is to present a management KPI dashboard**
- **The Deputy Secretary to Council will add the members of Audit Committee to the circulation list for Council meeting minutes.**

16:23 **Data Assurance**

RECEIVED:

A data assurance update from the Director of Policy, Planning and Business Intelligence (paper AUD/16/42), noting:

- (a) There is an expectation that the University will achieve the status of Gold in the Teaching Excellence Framework (TEF)
- (b) The net risk associated with the Destination of Leavers survey (i.e. the risk of the process being poorly managed rather than the risk of adverse destination data) has reduced.

RESOLVED

That the Committee was concerned it was being asked to provide assurance on the data submitted without seeing the process to collate that data. This does not provide an understanding of what the risks actually are and how they are being managed. Further information was requested detailing the key assumptions used, how they are managed and why we believe that the University is compliant with the requirements of the data return.

**ACTION-Director of Policy, Planning and Business Intelligence to (a) confirm the risk score for the Destination of Leavers Survey, and (b) provide a worked example of the data return, and the report to VC as a full case study.**

16:24 **Internal Audit Progress Report**

CONSIDERED:

The Internal Audit Progress Report (paper AUD/16/43) and the report on the desktop review of Dual Assurance (paper AUD/16/43a).

RESOLVED:

That, with regard to the reports completed, Audit Committee had the following concerns and comments:

- (a) Performance Management – There is concern that probation periods are not being used as they should be, and that in some areas a shorter probation period would be more appropriate. The Director of HR confirmed that this is under review to identify probation periods that are relevant to roles. Particular concern was expressed that PDRs were not evidenced well in Campus Services. This is due to the fact that many of the staff are not office or computer based; therefore face to face meetings are not recorded in the same way. This will be reviewed to ensure that there is a record of PDR meetings held.
- (b) CEMPS - The lack of clarity with the delegation of purchasing authorities compared to other colleges was discussed. The full delegation record and control is to be put in place in line with the other colleges, and has been acted on quickly. The auditors expect this to improve.
- (c) Cash Handling A thorough internal investigation had taken place following an identified loss and the lessons learnt aspect was good. The visibility of the auditors and management to investigate the issue has provided a deterrent. Assurance has been provided that the controls are sufficient to pick up when a serious issue occurs.
- (d) Dual Assurance - Access issues to the Dual Assurance webpages delayed this review, however it has now been completed. The committee is concerned with the number of crosses on the report showing activity not being completed in line with the published best practice statement. This should be communicated to all Management and Lay leads, and the audit repeated in August 2017.

**ACTION – Deputy Secretary to Council to draft a note for the Chair of the Committee to send to all Management and Lay leads with the report and concerns and to advise that the audit will be completed again, copied to the Chair of Council and the Registrar and Secretary.**

**Deputy Secretary to Council to take control of the communication and chasing to ensure that the relevant documents are in place.**

16:25 Internal Audit Annual Report

CONSIDERED:

The Internal Audit Annual Report (paper AUD/16/44), noted that the document would be formally signed off with opinion at the next meeting of Audit Committee. There is an improvement in the review of substantial controls and operational effectiveness.

RESOLVED:

- (a) That on page 8 with regard to risk management, control and governance arrangements, mention was made that Information Security and Information Governance are noted as exceptions as the University had areas of non-compliance noted. It should also be noted that these areas are a focus of Audit Committee, and that as a result significant work is being completed in these areas.
- (b) It was questioned where the high level summary of audit outcomes on pages 5 and 6 placed the University against other institutions. The auditors confirmed that we have more positive outcomes than other institutions.

**ACTION – The Internal Auditors to add some benchmarking against relevant competitors to the report.**

16:26 Non audit fees

CONSIDERED:

An update on non-audit fees from the Deputy Director of Finance (paper AUD/16/45), noting:

- (a) That the figures for this year are higher than the previous year, as a member of KPMG staff was seconded to the University to assist with tax advice while an in-house tax manager role was created and filled. This role is now in place and we will be less reliant on KPMG for this going forward.
- (b) The percentage of non-audit fee is 69%. This is mainly due to the secondment for tax advice and the change to VAT reporting and compliance.
- (c) Tax advice and audit are bid for separately, and therefore may not always fall to KPMG. USA tax compliance is listed within the non-audit fees, but could be seen as an audit activity.

RESOLVED:

That the update on non-audit fees as set out in paper AUD/16/45 be noted and approved.

16:27 Update on Audit Recommendations

CONSIDERED:



An update on audit recommendations from the Risk and Compliance Officer (paper AUD/16/46), noting that significant progress has been made, with 35 aged recommendations being closed, and that there was clear tracking and accountability for outstanding items.

REPORTED:

A query was raised regarding the audit recommendations listed on the BDO progress report, as this shows 7 high risk items whereas the audit recommendations report only shows 3. It is believed that this is due to audit recommendations already closed and therefore not included in this paper.

RESOLVED:

That paper AUD/16/46 be approved, subject to clarification on the number of high risk items.

**ACTION – Risk and Compliance Officer to cross reference the high risk items on the BDO Progress Report against the Audit Recommendations full report.**

16:28 **Annual Report of Audit Committee**

CONSIDERED

The draft annual report of audit Committee (paper AUD/16/47), noting that this paper had also been reviewed by VCEG.

RESOLVED:

That the following amendments be made to the report and that the report be subject to final review at the meeting of Audit Committee on 3<sup>rd</sup> November:

- (a) That at section 2.1, Membership, the term of office for Dr S. Buck should be amended to 2016 to reflect that she is no longer a committee member. It is noted that a replacement has not yet been found, and that activity towards this is underway.
- (b) That section 5.3 with regard to INTO should be removed, as this related to activity in the previous year.
- (c) That section 6.1 should be amended to clarify within the final sentence that responsibility for a detailed review of the end to end process of Risk Management is delegated via Audit Committee to Risk Dual Assurance.
- (d) That at section 7.7 the table detailing reports issued should consistently state either "0" or "-" to demonstrate a nil value, and the number of audit recommendations closed for each report should be added.
- (e) That section 7.6 should be amended to show that the Future Finance review was completed, and only the second part of the Transformation review was deferred.

- (f) That section 7.6 should be amended to show that Audit Committee had requested increased focus on audit recommendations, and that significant progress had been made.
- (g) That the IT Network Security review mentioned at 7.7 be amended to detail that Audit Committee had assisted to raise the profile of the risk increasing, and recommended that Council receive regular reviews on progress with managing actions.
- (h) That the section on the ICT Vendor Management review should be removed as it relates to the prior year.
- (i) That it should be noted that not all data is yet available to complete section 8, which will be completed where noted as the information becomes available.
- (j) That a section should be added confirming assurance of the move to the new accounting format.
- (k) That the requirement for Audit Committee to provide assurance over student loans to be added to section 9.
- (l) That a sentence be added to section 10.1 stating that the minutes of Audit Committee are published on the University web site following review at Council.
- (m) That section 11.1 be amended to state “provides reasonable assurance regarding the effective pursuit of the University’s objectives” rather than achievement.

**ACTION (COMPLETED) -The draft report and the above amendments be submitted to Council for comment at its October meeting.**

**-Risk and Compliance Officer to bring amended annual report to the next meeting.**

16:29 **Closedown of Accounts**

RECEIVED:

An oral update from the Chief Financial Officer, noting that the meeting with the external auditors was due to take place week commencing 3<sup>rd</sup> October and no issues were expected. KPMG has assisted and the team has done well. The financial statements and commentary plus the management letter will be provided for review at the November meeting of the Audit Committee. Audit Committee will be asked to approve the documents, and they will then be submitted to the November meeting of Council.

16:30 **HEFCE Quality Assessment: Assurance from Governing Bodies**

RECEIVED:

A letter from HECE regarding the quality assurance statements from governing bodies (paper AUD/16/48).

REPORTED:

- (a) That a full statement of assurance and supporting information in line with the requirements of the new QA Operating Model, was being produced for consideration by Senate and Council. The documentation would also be considered by Education Executive and VCEG prior to the November meeting of Senate.
- (b) Council is not being asked to undertake a granular level review, but to be provided with information and assurance from Senate that will allow it, at its November meeting, to in turn give assurance to HEFCE via the revised Annual Accountability Statement.

RESOLVED:

That a paper setting out the new QA Operating Model and the processes underpinning it be considered at the next meeting of the Audit Committee.

**ACTION -The Head of Governance and Compliance to bring the process document to the next meeting.**

16:31 **VC Report to Council**

RECEIVED

The report of the Vice-Chancellor to the meeting of Council held on 7th July 2016 (paper AUD/16/49).

16:32 **Audit Tender**

RESOLVED:

That a reminder be provided of when the University was due to tender for audit and whether a review was required to extend the contract from its current two year period 2 year into a further 2 years (which was made possible by the terms of the original BDO contract).

**ACTION: - The Chief Financial Officer will provide detail of audit tender at the next meeting.**

16.33 **Freedom of Information: Internal Review**

CONSIDERED:

A request from The Head of Governance and Compliance for comment from the Committee on the outcomes of an internal review of a decision made by the University to refuse a Freedom of Information request under the terms of Section 36 (2) (b) of the Freedom of Information Act.

RESOLVED:

That the Committee did not feel it had the power within its terms of reference to comment on the outcome of the internal review and that the University's internal auditors would be better placed to review the process and provide assurance on its reasonableness and objectivity.

**ACTION:** - **The Head of Governance and Compliance arrange for the University's internal auditors to review the process followed for the specific freedom of information request.**

16:34 **Date of Next Meeting**

REPORTED

That the next meeting would be held on 3<sup>rd</sup> November 2016 at 10.00am in the Ted Wragg room, Northcote House, University of Exeter.