



University of Exeter
Audit and Risk Committee

MINUTES AND ACTIONS – APPROVED BY AUDIT AND RISK COMMITTEE
27 March 2025 (1-5pm), online via Microsoft Teams

NB text in BLACK is for publication; text in BLUE redacted for publication.

CONTENTS:

No.	Item
24.43	Closed Session for Independent Members of Audit and Risk Committee Members Only (discussion not minuted)
24.44	Welcome and Declarations of Interest
24.45	Minutes of the Meeting held on 7 November 2024
24.46	Action Log 2024-25
24.47	Business Schedule and Forward Plan 2024-25
24.48	Internal Audit: <ul style="list-style-type: none"> a) Internal Audit Progress Report 2024-25 b) Final Internal Audit Reports 2023-24 <ul style="list-style-type: none"> i) Sustainability ii) IT Systems and Platforms: Estates and Commercial c) Internal Audit Progress Reports 2024-25 <ul style="list-style-type: none"> i) TRAC return ii) Health and Safety (Fire Safety)
24.49	External audit: <ul style="list-style-type: none"> a) Key Recommendations and Lessons Learned from Review of Performance/Effectiveness of External Auditors
24.50	University Annual and Accountability Reports <ul style="list-style-type: none"> a) Modern Slavery Act Transparency Statement
24.51	Business Continuity Update
24.52	Risk Report 2 AY 2024-25 and Horizon Scanning
24.53	Risk 'Deep Dive' Programme: CR3 Information Governance
24.54	Risk 'Deep Dive' Programme: CR1: Information Security
24.55	Risk 'Deep Dive' Programme: CR33: Generative AI
24.56	AI Policy Update
24.57	Statutory Return Update
24.58	Annual Financial Controls Report for Prevention of Fraud and Money Laundering
24.59	Internal Audit Procurement Proposal

24.60	Chair's Closing Remarks
24.61	Part II
24.61.1	For information Procurement Competition Waiver: Quarterly Reports
24.61.2	For approval Risk Management Policy – Minor Update
24.62	Closed Session for Independent Members of Audit and Risk Committee Members Only (discussion not minuted)

ACTIONS

Item	Action	Owner	Deadline
44.2	To update the Audit and Risk Committee Terms of Reference to reflect the revised membership.	Jeremy Diaper	June 2025
45.1	To revise and update the minutes to incorporate the minor amendment to paragraph 29.3.5.	Jeremy Diaper	June 2025
46.3	To circulate the PwC leadership report to the Audit and Risk Committee for information.	Jeremy Diaper	April 2025
47.1	To develop an initial schedule of Audit and Risk Committee business for 2025-26 prior to the next meeting on 27 June 2025.	Jeremy Diaper	June 2025
50.1	To amend the date to show Financial Year 2023-24 on the Modern Slavery Act Statement prior to publication and onwards submission to Council (29 May 2025).	Chrysten Cole	May 2025
50.3.3	That following endorsement by UEB and Audit and Risk Committee, the Modern Slavery Act Statement would be published on University's website indicating the scheduled date of final approval by Council (29 May 2025).	Chrysten Cole	May 2025
50.3.3	That the next iteration of the University's Modern Slavery Statement would be reviewed and refreshed in order to take into account the University's overseas TNE partnership activity.	Chrysten Cole	October 2025

51.6	To continue to present a Business Continuity Assurance Report to Audit and Risk Committee on an annual basis and to revise the format to more clearly highlight the most critical business continuity plans and annual exercises being undertaken in the current and forthcoming academic year.	Kate Lindsell	March 2026
52.5.4	That UEB would collectively review the overall risk rating for CR53 (failure to achieve the planned home and international post graduate taught numbers) in light of current mitigations, including the level of risk tolerance and potential implications for wider strategic decision-making.	Kate Lindsell	May 2025
52.5.4	To review the categorisation for CR111 (use of Generative AI) to ensure this incorporated a wider set of risk areas, including potential opportunity costs in not optimising benefits of AI.	Kate Lindsell	May 2025
52.5.4	To more revise and refine the definition of risk for CR112 (Industrial action) to ensure it was broader in scope and not exclusively linked to pay negotiations.	Kate Lindsell	May 2025
54.4	To circulate a more clearly readable version of the roadmap presented at the meeting to the Chair of the Audit and Risk Committee.	Nathan Burden	June 2025
55.4	To circulate the updated presentation slides shared during the meeting.	Nathan Burden	June 2025
55.4	To schedule a further update to Council on the use of Generative AI at a future meeting.	Jeremy Diaper	July 2026
56.17	To review the guidance on student use of AI within academic misconduct guidance.	Chrysten Cole	March 2026
56.17	To schedule a further deep dive on risks in relation to AI and academic misconduct.	Chrysten Cole	July 2026

59.2	Following Council approval via e-circulation, to continue with the next steps of the procurement process within the approved timeframe.	Kate Lindsell	April 2025
------	---	---------------	------------

DECISIONS

Item	Decision	Paper No
45.1	AGREED: to endorse the minutes of the meeting of 7 November 2024 to Council (29 May 2025).	AUD/40/24-25, AUD/40a/24-25
50.3.3	ENDORSED: The 2023-24 Modern Slavery Act Statement to Council (29 May 2025) for final approval.	AUD/44/24-25, AUD/44A/24-25
59.2	ENDORSED: The recommendation to Council (29 May 2025) that PwC be appointed to the role of Internal Auditor for an additional period of four years from 1 August 2025.	AUD/52/24-25, AUD/52A/24-25
62.2.1	APPROVED: The Risk Management Policy dated 3 March 2025.	AUD/54/24-25

Attendees**Members Present**

Tim Weller	Chair and Independent Member
Karime Hassan	Independent Member
Sarah Matthews-DeMers	Independent Member
Alison Reed	Independent Member

In attendance

Mike Shore-Nye	Senior Vice-President and Registrar & Secretary
Dan Charman	Senior Vice-President and Provost
Dave Stacey	Chief Financial Officer
Joe Wall	Director of Finance
Chrysten Cole	General Counsel and Director of Legal and Student Cases
Kate Lindsell	Assistant Director, Compliance and Risk

Matthew Elmer	PwC, Internal Audit
Alison Breadon	PwC, Internal Audit

Rees Batley	KPMG, External Audit (until 2pm, the end of Item 50)
Samuel Hoey	KPMG, External Audit

Secretary

Dr Jeremy Diaper	Assistant Director, Governance
------------------	--------------------------------

Support Staff

Totty Brobyn	Committee Secretariat Administrator
Sarah Hicks	Deputy Head of Governance Services (minutes)

Apologies

Dr Michael Wykes	Divisional Director, University Corporate Services
Bethany Wheatcroft	KPMG, External Audit

Invited to Attend:**Minute Item 52**

Ben Lawlor	Insurance, Audit and Risk Manager
------------	-----------------------------------

Minute Item 53

Brenda Waterman	Information Governance Manager and Data Protection Officer
-----------------	--

Minute Items 54-56

Nathan Burden	Divisional Director of Information Technology
---------------	---

Minute Items 55-56

Chris Frost	Director of Digital Transformation
Leigh Bates	PwC, Technology, Data and AI Partner
Alexandra Lohead	PwC, Manager in AI & Modelling

43. Closed Discussion for Independent Members of Audit and Risk Committee

- 43.1 A closed discussion was held for Independent Members of Audit and Risk Committee. The Assistant Director (Governance) was also in attendance.

44. Welcome and Declarations of Interest

- 44.1 The Chair welcomed Audit and Risk Committee members to the meeting and noted that there were no new declarations of interest in relation to items on the agenda.
- 44.2 Apologies had been received from Dr Michael Wykes. The Chair noted that it would have been Dr Wykes's last meeting of Audit and Risk Committee prior to taking up his new position as Director of Strategic Planning and Governance at Lancaster University at the end of the month. On behalf of the Committee the Chair expressed thanks to Dr Wykes for his contribution and noted that the Terms of Reference and membership would be updated accordingly.
- 44.3 Apologies had also been received from Bethany Wheatcroft (KPMG) and Samuel Hoey (KPMG) was attending in their place. The Chair noted Rees Batley (KPMG) had advised he would need to leave the meeting at 2pm.
- 44.4 The Chair reminded the Audit and Risk Committee that internal audit representatives from PwC would be asked to leave the meeting for item 59 (Internal Audit Procurement Proposal) due to a conflict of interest.

ACTION: To update the Audit and Risk Committee Terms of Reference to reflect the revised membership.

45. Minutes of the Meeting held on 7 November 2024 (AUD/40/24-25 and AUD/40a/24-25 Strictly Confidential)

- 45.1 The minutes of the meeting of 7 November 2024 were **APPROVED** subject to a minor amendment in paragraph 29.3.5.

ACTION: To revise and update the minutes to incorporate the minor amendment to paragraph 29.3.5.

46. Action Log - Academic Year 2024-25 (AUD/41/24-25 and AUD/41a/24-25 Strictly Confidential)

- 46.1 The Audit and Risk Committee received the updated action log for information and noted the status of the actions. The Chair expressed thanks to the Assistant Director (Governance) for refreshing the action log in response to feedback at the previous meeting.
- 46.2 It was noted that agenda items on Data Loss Prevention and the Removable Media Policy would be discussed at the next meeting scheduled on 27 June 2025.
- 46.3 A thought leadership report by PwC on Managing Risk in Higher Education would be circulated to Audit and Risk Committee following the meeting. The Chair affirmed the

importance of committee members maintaining an up-to-date view on the broader sector perspective.

ACTION: To circulate the PwC leadership report to the Audit and Risk Committee for information.

47. Business Schedule and Forward Plan for 2024/25 (AUD/42/24-25 and AUD/42a/24-25 Strictly Confidential)

47.1 The Audit and Risk Committee received the updated Business Schedule for the current Academic Year 2024-25 for information.

ACTION: To develop an initial schedule of Audit and Risk Committee business for 2025-26 prior to the next meeting on 27 June 2025.

48. Internal Audit

a) Internal Audit Reports 2023/24

48.1 The Chair invited Alison Breadon (PwC) and Matthew Elmer (PwC) to introduce the internal audit progress report for 2023-24. The two remaining audits from 2023/24 had been finalised following receipt of management responses.

b) Internal Audit Reports 2023/24

i) Sustainability (AUD/43A/24-25 Confidential)

48.2 The Sustainability advisory review had focused on three main areas: integration with faculties, travel and procurement. Engagement with the survey and workshops had been positive, and resulting data would be provided to the University to support future planning.

48.3 Several areas of focus had been identified through surveys and workshops across five key themes:

48.3.1 Sustainable travel choices;

48.3.2 Use of Key Travel to track sustainability progress;

48.3.3 Travel approval concerns;

48.3.4 Conflict in sustainability goals at Falmouth Exeter Plus Campus;

48.3.5 Sustainable purchasing.

48.4 Audit and Risk Committee welcomed the report and indicated that the findings were helpful. As the review had been taken as an advisory piece of work there had been no specific recommendations, but a series of 'future considerations' had been identified;

48.5 The issues surrounding inconsistent use of Key Travel were acknowledged and it was recognised that there had been challenges in embedding its use to track sustainability progress. This was partly attributable to the fact that nearly 200 people booked travel across the University and there was a wide range of funding routes for travel, including conferences and research grants. In order to address institutional culture, further work was

planned over the summer to centralise travel booking as part of continued enhancements via PS Connect. This would streamline processes in relation to travel approval, strengthen adherence to travel risk assessment and enable greater efficiency and control over travel related carbon emissions. UEB had endorsed the proposed approach and further communications would be issued during the summer, with staff invited to attend workshops to ensure wider engagement and understanding;

- 48.6 The barriers which staff faced in relation to travelling sustainably were noted by the Committee and it was reaffirmed that in addition to incentivising sustainable travel it would be important to highlight the wider strategic vision that the University was aiming to achieve so that the lived experiences of staff could be contextualised within the institutional mission drive changes in institutional culture to help achieve the long-term strategic ambition;

ii) IT Systems and Platforms: Estates and Commercial (AUD/43B/24-25 Confidential, AUD/43C/24-25 and AUD/43D/24-25 Confidential)

- 48.7 The IT related audit had focused on two applications used within Commercial and Estates, Kinetics Welcome (used to manage student accommodation bookings) and Planon (used for building management). The focus of the audit had been on understanding and assessing the design effectiveness of the current processes to manage and provide support for these systems and platforms;

- 48.8 Matthew Elmer (PwC) confirmed the formal management response outlined a clear response to the actions identified and had been included within the meeting pack for information and assurance (see AUD/43C/24-25 and AUD/43D/24-25).

c) Internal Audit Progress Reports 2024-25

- 48.9 The changes in the internal audit programme since the previous meeting on 7 November 2024 were highlighted, including deferral of the Partnerships Review, Capital Planning and Governance review. It was noted there continued to be high levels of cooperation from the University in supporting the internal audit programme and good progress had been achieved in closing actions from previous reports. Fieldwork for 7 of the 13 planned internal audits had now been completed;

i) Transparent Approach to Costing (TRAC) return (AUD/43E/24-25 Confidential)

- 48.10 The Transparent Approach to Costing (TRAC) review was an activity-based costing system which provided information to help higher-education providers understand the costs of their activities (teaching, research and other activities). As an institution in Peer Group A (Institutions with a medical school and research income of 20% or more of total income) the University was required to have their TRAC return processes audited every three years;
- 48.11 As the University had been in the process of preparing the 2023/24 TRAC submission at the time of the fieldwork being undertaken it had been agreed with management that a review of the 2022/23 TRAC return and governance arrangements undertaken by the University and governance arrangements undertaken by the University prior to the 2023/24 submission (which was due by 31 January 2025);

- 48.12 The TRAC review provided assurance that the University's processes were well-managed and compared favourably to other HE institutions. Three low risk findings were identified to further refine and strengthen the compliance and reporting arrangements in alignment with sector best practice. This included calculating research facility charge rates; refreshing library cost drivers; and a review of the teaching vs research split for 'other clinical services' costs;
- 48.13 On behalf of the Committee, the Chair commended the University's approach to maintaining clear and well-managed TRAC processes and ensuring comprehensive completion of the TRAC self-assessment.

ii) Health and Safety (Fire Safety) (AUD/43F Confidential)

- 48.14 Following the internal audit of Fire Safety carried out in 2022/23, which had resulted in a High Risk report, this new Low Risk report identified notable improvements had taken place in relation to the tracking and oversight of Fire Risk Assessment actions.
- 48.15 The report outlined an increased robustness of controls in place and identified one medium risk and two low risks. High levels of engagement from management were recognised and the report indicated a positive direction of travel with several areas of good practice highlighted.
- 48.16 Audit and Risk Committee discussed the liability of third-party accommodation providers, including INTO. It was acknowledged that whilst liability sits with the third-party accommodation provider for ensuring compliance with UUK (Universities UK) legislation and other relevant fire safety standards, a significant level of partnership working takes place with the University. The Committee was advised of the robust work undertaken by the Fire Safety Team in partnership with third-party accommodation providers and close consultation with Commercial, Residential and Campus Services (CRC). This included through rigorous checks and regular meetings with the accommodation providers to seek assurance regarding fire safety procedures and their current position.
- 48.17 The team were commended by the Committee for establishing a formalised and structured monitoring process to ensure fire safety compliance checks, due diligence and planned preventative maintenance was undertaken effectively;
- 48.18 Fire safety would also be considered next year as part of the internal audit relating to compliance with UUK legislation;
- 48.19 The Committee noted that further work would also continue to be explored to further systemise and digitise systems and processes to maintain an enhanced approach to fire safety management;

49. External Audit

a) Key Recommendations and Lessons Learned: Review of Performance/Effectiveness of External Auditors

- 49.1 The Chair invited the Chief Financial Officer and Rees Batley (KPMG) to provide a verbal update on the key lessons learned from the light touch effectiveness review of the external audit process. The Chief Financial Officer indicated that it had been a positive process with a healthy level of challenge provided by the external auditors (KPMG).
- 49.2 The Audit and Risk Committee noted that considerable attention had been given to the following areas which would remain continued areas of focus in the forthcoming external audit:
- 49.2.1 research;
 - 49.2.2 high staff pay disclosure;
 - 49.2.3 going concern assessment
- 49.3 the going concern assessment had been more complex than in previous years as a result of increasing sector-wide financial challenges.

Closed minute – Confidential, Commercial In Confidence

- 49.4 Rees Batley (KPMG) affirmed that the external audit work continued to provide a healthy level of challenge and robust scrutiny.

50. University Annual and Accountability Reports

a) Modern Slavery Act Transparency Statement (AUD/44/24-25 and AUD/44A/24-25 Confidential)

- 50.1 The Chair invited the General Counsel and Director of Legal and Student Cases to introduce the Modern Slavery Act Statement. It was noted the dates on the Modern Slavery Act Statement would be amended to align with the financial year 2023-24 prior to publication on the University's website.
- 50.2 The Modern Slavery Act Statement has been produced in collaboration with Procurement, HR and Legal in order to reflect any recent changes within the University. The Statement had already been endorsed by UEB (6 March 2025) and would also be approved by Council (29 May 2025);
- 50.3 The following was noted in discussion:
- 50.3.1 Transnational Education (TNE) was not currently reflected in the current version of the statement as it pertained specifically to the financial year 2023-24, but this would need to be given due consideration in future iterations to take account of the University's TNE partnerships;
 - 50.3.2 in particular, the wording in the 'HR statement' section on page 5 would require further consideration in future statements, specifically in relation to TNE. The Committee noted reference to ensuring that overseas employment is fully compliant with statutory requirements in the host country may be viewed as contradictory to the requirement to comply with the University's responsibilities under the Modern Slavery Act.

50.3.3 completion of training is regularly monitored; this includes ensuring the training is undertaken by relevant members of staff.

ENDORSED: The 2023-24 Modern Slavery Act Statement to Council (29 May 2025) for final approval.

ACTION: To amend the date to show Financial Year 2023-24 on the Modern Slavery Act Statement prior to publication and onwards submission to Council (29 May 2025).

ACTION: That following endorsement by UEB and Audit and Risk Committee, the Modern Slavery Act Statement would be published on University's website indicating the scheduled date of final approval by Council (29 May 2025).

ACTION: That the next iteration of the University's Modern Slavery Statement would be reviewed and refreshed in order to take into account the University's overseas TNE partnership activity.

Rees Batley (KPMG) left the meeting.

51. Business Continuity Update (AUD/45/24-25 Confidential)

51.1 The Chair invited the Assistant Director (Compliance and Risk) to introduce the Business Continuity update. The report provided an overview of the University's business continuity arrangements (including a summary of plans, exercises and incidents) in order to provide assurance that Business Continuity Planning was up-to-date and reviewed regularly;

51.2 Robust planning continued to be undertaken to identify clear areas of focus each year. The focus in 2024-25 had included exercises in relation to confirmation and clearing and TNE.

51.3 The following was noted in discussion:

51.3.1 whilst section 4.5 of the report (which outlined the scenario exercises undertaken on an annual basis over the last 5 years) helped to illustrate the University's key areas of focus in relation to business continuity, it would be useful to further enhance the format of the report to more clearly illustrate key areas of focus in both the current and forthcoming academic year

51.3.2 national, regional and sector insights and experience continued to be utilised to identify required tests and drive business continuity planning

51.3.3 in light of the recent Heathrow airport closure which had been caused by a power outage, the Committee reaffirmed the importance of continuing to learn from incidents in other organisations outside of the sector, including wider elements such as communications with key stakeholders and minimizing reputational impact of incidents;

51.3.4 there is a wealth of experience within the business continuity team, and c. 200 colleagues involved in wider business continuity and incident responses across the University which ensured there was sufficient strength and depth in institutional resilience;

51.5 The University maintained a collaborative approach to ensure the Business Continuity team continued to work closely with key partners across the city and wider region to develop robust continuity plans, including: INTO, Devon Resilience Group, Exeter City, FX Plus Joint Venture with Falmouth University and Northcott Theater;

51.6 Audit and Risk Committee commended the professionalism and continued efforts of staff across the University to ensure a robust approach to business continuity planning acknowledged.

ACTION: To continue to present a Business Continuity Assurance Report to Audit and Risk Committee on an annual basis and to revise the format to more clearly highlight the most critical business continuity plans and annual exercises being undertaken in the current and forthcoming academic year.

52. Risk Report 2: AY 2024-25 and Horizon Scanning (AUD/46/24-25, AUD46A/24-25, AUD46B/24-25 and AUD/46C/24-25 Confidential (Commercial in Confidence)

The Chair invited Ben Lawlor (Insurance, Audit and Risk Manager) to the meeting to briefly introduce the risk management report.

52.1 Following review by Compliance Committee (7 February 2025) and UEB (20 February 2025), the second risk report of the 2024/25 risk management reporting cycle was presented to the Audit and Risk Committee.

52.2 The Audit and Risk Committee noted three risks that have increased in score since the last report:

- Financial sustainability (increased score, remains rated high)
- Global Employment Law (rating increased from moderate to high)
- Diversity of Undergraduate (UG) intake (rating increased from low to moderate)

52.3 The Audit and Risk Committee noted three new corporate risks have been identified as follows:

- Generative AI usage (rated high)
- Transnational Education (rated moderate)
- Industrial Action linked to pay negotiations (rated moderate)

52.4 Two new risks have been identified (financial risks relating to INTO partnerships and regional devolution of power). Further information on these risks be provided in the next report to be presented to the Audit and Risk Committee at the next meeting on 27 June 2025.

52.5 The following points were discussed:

52.5.1 the reduced international student intake and increased number of offers made to home students presented a risk in relation to diversity of intake;

52.5.2 as a result of the wide-ranging challenges in Higher Education sector the risks surrounding the potential for further industrial action were increasing. It was noted that these risks were

not limited to pay negotiations and a more precise definition associated with industrial action should be strengthened;

52.5.3 it was noted that CR53 (failure to meet planned PGT numbers) had consistently remained 'very high' in a series of successive risk reports. In light of the fact the risk related to a substantial income stream and had a material impact on the financial sustainability of the institution, further consideration needed to be given to the level of risk tolerance and overall risk rating to determine whether the mitigations in place meant the risks could be appropriately managed and reduced accordingly. The Committee acknowledged that if the overall risks could not be materially mitigated against to reduce the current risk rating, further consideration should be given to whether strategic decision-making needed to pivot more substantially in response to the anticipated reduction in overseas tuition fee income to ensure the risk became more manageable. It was agreed this should be an area for further consideration by UEB.

52.5.4 that the new risk relating to the use of Generative AI (CR111) required further clarification to more clearly articulate that alongside regulatory and compliance risks, there were also a number of wider risk areas. In addition to the potential for rapid growth in AI to significantly change landscape of education and impact income generation, this also included opportunity costs in not sufficiently utilising AI for benefit of students and staff experience.

ACTION: That UEB would collectively review the overall risk rating for CR53 (failure to achieve the planned home and international post graduate taught numbers) in light of current mitigations, including the level of risk tolerance and potential implications for wider strategic decision-making.

ACTION: To review the categorisation for CR111 (use of Generative AI) to ensure this incorporated a wider set of risk areas, including potential opportunity costs in not optimising benefits of AI.

ACTION: To more revise and refine the definition of risk for CR112 (Industrial action) to ensure it was broader in scope and not exclusively linked to pay negotiations.

The Chair thanked Ben Lawlor (Insurance, Audit and Risk Manager) for their contribution and invited them to leave the meeting.

53. Risk 'Deep Dive' Programme: CR3 Information Governance (AUD/47/24-25)

The Chair invited Brenda Waterman (Information Governance Manager and Data Protection) to the meeting to present the Risk Deep Dive on CR3 (Information Governance).

53.1 The Audit and Risk Committee was updated on the key information governance risks, such as the possibility of data breaches and data incidents due to lack of appropriate governance, human error or adherence to policy. The Committee also noted the substantial range of information held within the University (ranging from student, staff, donor and alumni data; through to research, partnerships, commercial data and external confidential information drawn from police and third party suppliers). Due to the wide range of data the related

consequences included potential fines, reputational damage, financial impacts and civil claims or increased reporting to the ICO;

- 53.2 All reports were initially considered a breach, but many could be mitigated down to an incident providing rapid control of the data was obtained. An incident occurred where data had not left the University and could not be shared. The vast majority of the University's incidents were related to data handling errors with control of data able to be regained quickly;
- 53.3 Continued training to increase awareness combined with the newly implemented data loss prevention trigger tool has reduced the number of data breaches and incidents.
- 53.4 The Assistant Director (Compliance and Risk) outlined the range of controls in place and explained that self-assessment was undertaken against the ICO framework. The self-assessment process is monitored by Compliance Committee;
- 53.5 The Audit and Risk Committee noted the current roadmap of improvements and the challenges currently faced by the Information Governance Team in being able to implement continuous improvement alongside day to day activity within current resource. It was recognised that this was particularly difficult due to the requirement to meet statutory response deadlines in relation to FOIs, Data Protection, ICO complaints, as well as tribunals and other related legislation. The lack of control over the volume of work and demand also presented challenges as a large amount of the workload was reactive and responding to external requests. The team was working to change misperception surrounding information governance slowing work down and the future digitisation of systems would support this further.
- 53.6 the Information Governance team were actively involved in determining the data classification scheme that forms part of the new AI Policy;
- 53.7 The following was noted in discussion in relation to incidents:
 - 53.7.1 effective use is made of the Microsoft tools available, system logs and collaborative working with IT Security in the event of an incident to gain control of the data as quickly as possible;
 - 53.7.2 two incidents have been reported to the ICO in the past year and in both cases the ICO found in favour of the University due to the effective mitigations in place;
 - 53.7.3 the Committee expressed concern in relation to the potential for spreadsheets containing commercially sensitive information, confidential personal data or research data to result in a data breach. Whilst it was recognised that the data loss prevention client IG tool and use of the separate Secure Data Research Hub (SDRH) ensured stringent controls were in place to reduce the likelihood of a data breach there was nevertheless further work required to encourage use of anonymised data, embed enhanced security and controls in key systems to prevent downloading of sensitive data, and increased utilisation of the wider Microsoft tools to transition away from the use of spreadsheets;

The Chair thanked Brenda Waterman (Information Governance Manager and Data Protection) for their contribution and invited them to leave the meeting.

54. Risk 'Deep Dive' Programme: CR1: Information Security (AUD/48/24-25)

The Chair invited Nathan Burden (Divisional Director of IT Services) to the meeting to outline the Risk Deep Dive on Information Security.

- 54.1 The Audit and Risk Committee was informed that Information Security (CR1) was the longest standing corporate risk, and it was not anticipated that the rating for likelihood and impact would change in future as it reflected the complexity of the University.
- 54.2 It was noted that the transition to the new Digital risk register and utilisation of Camms had proved a helpful system to effectively manage risks.
- 54.3 The Security Team continued to work in partnership with a range of other security organisations. In addition, the latest expansion of an Identity Management Team would fulfil a critical role in relation to cyber security and ensuring student experience.
- 54.4 The Audit and Risk Committee were presented with a roadmap detailing the range of tasks being undertaken. This work was overseen by a new governance structure led by the Senior Vice-President and Registrar & Secretary and the Senior Vice-President and Provost.
- 54.5 Tasks are mapped to the NIST framework which was measured externally every two years.
- 54.6 The tooling indicators were dynamic and reviewed fortnightly. It was noted the overall indicator was currently slightly outside of tolerance and work on domain controllers would continue when the National Student Survey (NSS) closed due to a possible impact on student satisfaction.
- 54.7 The following was noted in discussion:
 - 54.7.1 several obsolete operating systems were still required to be in use and due to their application in relation to critical research equipment which was currently deemed too expensive to replace. These were operating as isolated systems to mitigate associated risks and the register recording this information is regularly reviewed.
- 54.8 Data from the phishing email tests showed a positive trend overall, although it was recognised that as the most recent test was particularly challenging, it had resulted in a 9.43% compromise rate and 22.63% of staff reporting the email.
- 54.9 The first phishing email test for students was issued over a 4-week campaign. It was noted the compromise rate dropped by 17.76% between week 1 and week 4, demonstrating a positive impact from the campaign. It was recognised student feedback was largely positive, however, some concerns had been raised about the email topics used in the campaign.

Closed Minute – Confidential

54.11 The following was noted in discussion:

54.11.1 The positive benefits associated with equipping students with awareness of the importance of phishing email tests as these were commonplace in many organisations and would provide them with important technological understanding and skills for future employment;

54.11.2 It would not be appropriate to alert students specifically about any upcoming phishing email test, however, there will be benefits in highlighting the risks of phishing emails through the notifications in the MyExeter app;

54.11.3 Further consideration would need to be given to the topic of emails used in order to prevent undue anxiety for students;

54.11.4 Several external organisations had heard positive feedback about the recent student phishing email campaign and had been in touch to discuss and learn more about the University's approach.

54.12 The Audit and Risk Committee commended the team on a robust and innovative approach to phishing email testing.

ACTION: To circulate a more clearly readable version of the roadmap presented at the meeting to the Chair of the Audit and Risk Committee.

55. Risk 'Deep Dive' Programme: CR33: Generative AI (AUD/49/24-25, AUD/49A/24-25, AUD/49B/24-25, AUD/49C/24-25, AUD/49D/24-25, AUD/49E/24-25)

The Chair invited Chris Frost (Director of Digital Transformation), Leigh Bates (PwC) and Alexandra Lohead (PwC) to contribute to the discussion on Generative AI and the AI Policy.

55.1 The Chair introduced the item by explaining he had requested additional information to be included in the presentation to provide context around the papers that had been circulated in advance of the meeting. An updated presentation was tabled in the meeting and has been filed with the record of the meeting (AUD/49F/24-25).

55.2 The University's draft AI Strategy was aligned with Strategy 2030 and set out the vision to embed AI across education, research, operations and partnerships. It had been discussed by several groups and received support for setting out a clear direction of travel and serving as a further enabler for Strategy 2030.

55.3 The five themes supporting the strategy were outlined as: empowering innovation; managing risk; ethical and responsible use; promoting collaboration; and being future ready and sustainable.

55.4 The Committee welcomed the clear links to Strategy 2030 and noted that it would be important to maintain an appropriate balance in managing the risks whilst also benefitting from the opportunities AI presented. It was also noted that it would be beneficial to separate the new risk (CR111) currently defined as, "Maximise ambition and AI advance whilst managing our data and IP risks".

ACTION: To circulate the updated presentation slides shared during the meeting.

ACTION: To schedule a further update to Council on the use of Generative AI at a future meeting.

56. AI Policy Update

- 56.1 The Divisional Director of IT Services introduced the AI Policy and highlighted that the University had sourced support from PwC (unconnected to internal audit work) to offer additional industry insight and expertise to support development of the policy
- 56.2 The Audit and Risk Committee were being presented with the first draft of the AI Policy prior to other committee consideration and endorsement.
- 56.3 PwC explained that the policy was based on best practice from the NIST framework and grounded in promoting safe and ethical use of AI alongside ensuring appropriate controls were in place.
- 56.4 It was acknowledged the policy must be more than a document, and consultation had taken place with a range of stakeholders within the University. The policy included a decision tree defining acceptable use, a catalogue detailing the tools available, and a classification scheme defining different levels of data. The draft policy has been drawn up using information from the EU commission, NIST AI, the University of Bristol and Harvard University as well as from internal PwC specialists.
- 56.5 Few other universities had developed an AI Policy and typically only provided high-level guidance. The draft AI Policy sets out 12 core principles and was applicable for students, academics and PS staff. The Audit and Risk Committee acknowledged the value of an AI Policy accompanying the AI Strategy as discussed earlier in this meeting. It was recognised the policy will need to be updated to pace with changes in a fast-developing area of activity.
- 56.6 The catalogue draws on Microsoft's cloud applications and the applications rated 10/10 as there is no other ranking system in place at present. The Audit and Risk Committee was pleased to note that the catalogue was not limited to Microsoft products and others were also included.
- 56.7 Three levels are outlined within the catalogue:
- Exeter provided AI (for the highest level of data classification);
 - publicly available General AI (for up to level 2 classification);
 - development AI (for research and digital transformation, up to level 3).

Closed Minute - Confidential, Commercial In Confidence

- 56.9 The Committee noted there would be a need for extensive Generative AI training for staff and students.
- 56.10 The challenges currently being addressed were the limited toolsets available due to the expensive educational licensing prices, having the skills internally within the organisation to

raise awareness and drive implementation of the AI Policy forward, and ensuring effective communications across the University.

56.11 Thanks were extended to PwC and all colleagues that had contributed to drafting the AI Policy.

56.12 The following was noted in discussion:

56.12.1 whilst it was acknowledged AI was a complex area and the work that had been undertaken provided assurance that the University was moving forward with utilisation of AI, the University needed to publicise the progress of work in this area to remain competitive especially in light of the rapid pace of change;

56.12.2 it was important the University provided students with the best opportunities to be ready for future employment and the institutional approach to AI, along with Curriculum for Change (C4C), would help support employability skills;

56.12.3 some students may use other paid-for tools (not just those available free within the catalogue), thereby creating the potential for inequality. In contrast, the promotion of free tools within the catalogue ensures equality of access to the same tools for all students;

56.12.4 there may be benefits in using the Alumni network to identify other opportunities for connecting with senior stakeholders in relevant organisations to drive utilisation of AI forward at pace.

Closed minute – Confidential, Commercial in Confidence

56.14 The General Counsel and Director of Legal and Student Cases provided the Audit and Risk Committee with an update on AI and academic conduct. Reference to student use of AI has been incorporated in academic conduct guidance for the last year. This guidance would also be reviewed in line with the new AI Policy.

56.15 The University's statement on Generative AI was developed in consultation with stakeholders including students. It was recognised there was work to be undertaken with the perception of misconduct in relation to use of AI. Further work would provide a clearer definition of AI misconduct, and there will be ongoing work with students about safe and ethical use of AI to ensure students are set up to succeed.

56.16 Changes to the AI Policy would impact on the assessment and feedback approach.

56.17 Further work would be undertaken to align the policy relating to AI misconduct with the new AI Policy and maintaining records that track misuse of generative AI.

56.18 The Chair noted this is an area of work for the Audit and Committee to revisit due to the pace of change.

ACTION: To review the guidance on student use of AI within academic misconduct guidance.

ACTION: To schedule a further deep dive on risks in relation to AI and academic misconduct.

The Chair thanked Nathan Burden (Divisional Director of IT Services), Chris Frost (Director of Digital Transformation), Leigh Bates (PwC) and Alexandra Lohead (PwC) for their contribution and invited them to leave the meeting.

57. Statutory Return Update (AUD/50/24-25)

57.1 The Chair reported there were no data quality issues highlighted, and due process has been undertaken. The Audit and Risk Committee noted the report for information and assurance.

58. Annual Financial Controls Report for Prevention of Fraud and Money Laundering (AUD/51/24-25 Confidential)

- 58.1 The Chair invited the Chief Financial Officer to introduce the annual financial controls report. The report outlines a high-level overview of the key financial controls, policies, and procedures, that the University has in place to prevent and detect fraud and money-laundering. The Audit and Risk Committee was advised no red flags had been identified.
- 58.2 The report highlighted two cases of potentially fraudulent staff expenditure activity currently under investigation which had been identified as a result of the Enabling Strategy 2030 workstream undertaking detailed analysis of non-pay expenditure
- 58.3 External audit had raised no concerns with the current controls in place. The Audit and Risk Committee were advised the report format will be changed to meet the requirements of the Economic Crime and Corporate Transparency Act, which would be coming into force in September 2025.

59. Internal Audit Procurement Proposal (AUD/52/24-25, AUD/52A/24-25, Confidential (Commercial in Confidence))

The Chair thanked representatives from PwC for their contribution to the meeting and asked them to absent themselves from discussion on the Internal Audit Procurement Proposal due to a direct conflict of interest.

Closed Minute – Confidential, Commercial in Confidence

ENDORSED: The recommendation to Council (29 May 2025) that PwC be appointed to the role of Internal Auditor for an additional period of four years from 1 August 2025.

ACTION: Following Council approval via e-circulation, to continue with the next steps of the procurement process within the approved timeframe.

60. Chair's Closing Remarks

60.1 The Chair thanked members for their contribution to the meeting and advised that the next meeting would be held on 27 June 2025.

61. Part II

61.1 The following item was received in Part II **for Information:**

61.1.1 Procurement Competition Waiver Quarterly Report (AUD/53/24-25 and AUD/53A/24-25 Confidential (Commercial in Confidence)

61.2 The following item was received in Part II **for Approval**:

61.2.1 Risk Management Policy – Minor Update (AUD/54/24-25)

APPROVED: The Risk Management Policy dated 3 March 2025.

62. Closed Discussion held for Independent Members of Audit and Risk Committee

62.1 A closed discussion was held for Independent Members of Audit and Risk Committee. The Assistant Director (Governance) was also in attendance.