

**University of Exeter**

**Internal Audit Policy**

**V2.0 October 2025**



**University  
of Exeter**

## Document Revision History

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V1.0	May 2025	n/a	First version	Compliance Committee
V2.0	October 2025	TA/KL/JD	Incorporate comments of Audit and Risk Committee	

## 1. Introduction

- 1.1. At the University of Exeter, we combine teaching excellence and high levels of student satisfaction with world class research at our campuses in Exeter and Cornwall. The University is a member of the Russell Group of leading research-intensive universities.
- 1.2. The University of Exeter requires a high-quality internal audit function to be delivered in an efficient manner
- 1.3. Audit and Risk Committee has responsibility, as devolved by the Council, the governing body, to oversee and manage the internal audit function.

## 2. Internal Audit and Higher Education

- 2.1. Auditing is the verification of activity, such as inspection or examination, of a process or quality system, to ensure compliance to requirements. An audit can apply to an entire organisation or might be specific to a function, process, or production step.
- 2.2. Internal auditing is defined as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations” (Institute of Internal Auditors).
- 2.3. Regardless of type or size, success for Higher Education Institutions is built on a foundation of sound governance and financial and reputational sustainability (CUC Code). The University adheres to the Higher Education CUC code by ensuring it has appropriate internal audit arrangements in place.

- 2.4. The purpose of internal audit is to assess the effectiveness of internal controls and identify risks which require addressing. The internal audit process supports the assessment and management of risks across the following areas:
- Value for money
  - Financial and associated controls
  - Corporate Governance, Legal and regulatory compliance
  - Reliable, accurate and timely management information
  - Management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, the OfS and Funding Councils, Research England and other bodies.
  - Appropriate disclosure and transparency.
  - A culture of uncompromising moral and ethical behaviour
- 2.5. Internal audits are performed by competent and capable auditors with an in-depth understanding of the business culture, systems, and processes, which support the University of Exeter to accomplish its objectives by evaluating and improving the effectiveness of its risk management, control, and governance processes.
- 2.6. The University expects the internal audit team to maintain professional conduct and operate ethically while upholding the University's values of:
- Discovery – 'We thrive on imaginations and creativity to make new discoveries and innovate on our ways of working.'
  - Respect – We respect our community and our environment, and we build trust and wellbeing by showing kindness.'
  - Excellence – 'We seek to excel and deliver the very best in everything we do.'
  - Inclusion – 'We welcome and champion diversity to create a sense of belonging so that everyone is valued.'
  - Community – 'We work best when we collaborate to deliver on shared priorities and goals.'

### **3. Purpose of this policy**

- 3.1. To set out the University's approved approach to managing the internal audit function
- 3.2. To set out the roles and responsibilities of Council, Audit and Risk Committee, University Executive Board, senior management in faculties and professional services, and the internal audit service provider.
- 3.3. To set out how the internal audit policy will be monitored, to ensure it is implemented and remains effective.

### **4. Internal audit delivery model**

- 4.1 The University of Exeter will agree the most effective methodology for managing the internal audit process.
- 4.2 This could include outsourced services, in house services, or a managed outsourced service.

- 4.3 The University of Exeter, via the Audit and Risk Committee, keeps under review the optimal method of audit delivery and this is considered in line with appropriate procurement requirements.
- 4.4 Under current arrangements, an outsourced provider is responsible to Council, via the Audit and Risk Committee for the planning, design and delivery of its audits.
- 4.5 Where outsourced services are sought, the tender process for the appointment of internal auditors is set out by the University's procurement procedures and overseen by the Audit and Risk Committee and Council. This ensures transparency, fairness, and accountability.
- 4.6 Members of University staff (within the Assurance, Compliance and Risk Service) provide support to the outsourced internal audit team to ensure that audit processes are managed effectively.

## 5. Annual Audit Plan

- 5.1 Annually, an internal audit plan is prepared by the appointed auditor and approved by Council.
- 5.2 The annual audit plan will cover approximately 12-15 planned reviews over approximately 200 audit days.
- 5.3 The draft internal audit plan is developed by assessing the "Audit Universe", consideration is given to:
  - The sector and institution risk landscape
  - Regulatory requirements
  - Third Party requirements (Universities UK, Research England)
  - Results of previous audit work
  - Areas identified by the senior management team to provide assurance or assist in developing additional risk controls
  - Ad hoc topical reviews may be requested by the University Executive Board and Council
- 5.4 Proposals for the Internal audit plan will focus on areas that present significant risks to the University, including but not limited to:
  - Corporate governance
  - Risk management
  - Internal controls
  - Compliance with laws, regulations, policies, contracts and controls
  - The safeguarding of assets
  - The economical and efficient use of resources (value for money)
  - The achievement of established operational goals and objectives
  - Key functions and programmes
  - Programme and change management
  - Any other areas within the remit of the Audit and Risk Committee
- 5.5 The draft internal audit plan will be consulted upon with the Services Divisional Leadership Team, the University Executive Board and the Audit and Risk Committee (June – Committee meeting) for approval and the proposal will be presented to include:
  - Rationale for recommendations, including connections to the corporate risk register and sector risk profile and corporate objectives
  - The consideration given to all potential audits, and rationale for not including any in the plan
  - Detail of the topics areas to be audited in the year: functions/units, processes, systems etc

- Indicative number of days allocated for each topic area
- Indicative timing (e.g. quarter 1, quarter 2 etc.) for the audit to enable and assessment to be made of appropriateness of timing within the year
- Explanation of the annual audit opinions
- The Indicative three-year plan
- Key performance indicators for the internal audits

5.6 The audit plan is based on an annual cycle agreed between the internal auditors, the University's senior management and the University's Audit and Risk Committee.

## 6. Provision of non-audit services

6.1 Non-audit services are defined as additional "professional services" required to provide an independent assessment and opinion on the management of risk in a particular area. There are occasions when it is felt to be appropriate to utilise audit services outside of the agreed annual audit plan activity.

6.2 This may occur when the work required is of a specialist nature, and the concentration of skills, knowledge, network and market leadership of the selected audit specialist. Appropriate consultancy and review work may be undertaken by internal auditors in line with university procurement procedures.

6.3 All non-audit services, to be provided by the internal auditor must be approved by Audit and Risk Committee. Council must also be advised of the provision of any non-audit services.

6.4 All non-audit services must undergo an assessment of the threats to independence and the safeguards applied in accordance with ethical standards.

6.5 The Chair of Audit and Risk Committee should not agree to its auditors providing a service which may compromise their independence or violate any laws or regulations affecting their appointment as auditors. In considering whether to give approval the chair should not agree to the auditors providing a service if the result is that:

- The auditor audits its own work
- The auditor makes management decisions for the University
- A mutuality of interest is created
- The auditor is put in the role of advocate for the University

6.6 When reviewing requests for permitted non-audit services, the chair of the Audit and Risk Committee will assess:

- Whether the provision of such services impairs the auditor's independence or objectivity and any safeguards in place to eliminate or reduce such threats.
- The nature of the non-audit services requested
- Whether the skills and experience make the auditor the most suitable supplier of the non-audit service.
- The fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the group audit fee.
- The criteria which govern the compensation of the individuals performing the audit.

6.7 The Audit and Risk Committee will monitor the level and activity of any non-audit work commissioned by the University to ensure that the internal audit independence is not compromised.

## 7. Other Third-Party Assurance

- 7.1 The University may also gain assurance from audit work or inspections performed by additional third parties outside of the internal audit plan to satisfy other regulatory or sector requirements.

Examples of these include:

- Office for Students Access and Participation Plan scrutiny
  - Fire Authority conduct annual fire safety inspections
  - Environmental Management Certification Audit
  - Research - Royal Society portfolio Audit, Research England Charity and Business QR Audit and UKRI Funding Assurance work
  - Biological Support Unit (BSU) animal welfare audits via the Home Office
  - Transparent Approach to Costing review
- 7.2 The Compliance Committee has an annual programme of reporting, and external assurances will be reported up on as part of this program.

## 8. Roles and Responsibilities

- 8.1 The table of roles and responsibilities within the audit process, is included in appendix 2.
- 8.2 The internal auditors will agree to an Internal Audit Charter which will provide the framework for the conduct of the internal audit function in the University of Exeter and is approved by the Audit and Risk Committee.
- 8.3 The Charter has been created with the objective of formally establishing the purpose, authority and responsibility of the internal audit function.

## 9. The internal audit process

- 9.1 **Deciding on the Annual Audit Plan** -the annual program of internal audit reviews are planned on an annual cycle agreed between the internal auditors, the University's senior management and approved by the University's Audit and Risk Committee. The areas to be reviewed are selected based on a combination of the sector, political and institution risk landscape, regulatory requirements. In some cases, areas identified by the senior management team to provide assurance or assist in developing additional risk controls. In addition, ad hoc topical reviews may be requested by the University Executive Board and Council.
- 9.2 **Pre audit planning** – once the approved program is in place, the relevant senior University staff member, known as the “audit sponsor”, together with relevant members of their team, will provide input and agree the scope and terms of reference of their particular review. Key stakeholders may also be identified to provide valuable insight or information on processes and procedures. The relevant team will provide all requested documentation to the auditors for review.
- 9.3 **Terms of Reference** - Prior to undertaking each internal audit, the internal audit manager or auditor with a similar level of skills and experience will meet with the relevant audit sponsor and key stakeholders to agree the terms of reference (ToR) for the review. The terms of reference (ToR) will set out, as a minimum:
- The background and objectives for the review
  - The audit approach
  - The audit scope of work including areas of focus, objectives and any limitations

- The University key contacts
- The internal audit team
- The timetable for the review
- Documentation requested before the start of fieldwork

The ToR should be discussed with relevant members of management and agreed with the audit sponsor.

Once agreed, the ToR will be shared with the chair of the Audit and Risk Committee for comment.

- 9.4 **Audit fieldwork** – University employees will support the auditors to perform the review. This could be via interviews or stepping through processes and transactions. It is important that this is completed by personnel who perform the relevant roles and therefore have a good understanding of the processes that are being reviewed.

The auditor is expected to minimise the burden on the audited units, e.g. identify and source the relevant documents which are publicly available or have previously been shared with the supplier, e.g. in the context of another review.

The auditors will undertake the fieldwork employing the agreed audit approach.

Once fieldwork is complete a closing meeting is held with the audit manager or an auditor with a similar level of skills and experience to discuss the findings. The University will have an opportunity to advise on any gaps identified and provide further evidence.

- 9.5 **Audit Report** – On completion of the internal audit, the auditor will write a draft written report of their findings. Each report will include:

- An executive summary describing key findings and their classification (e.g. high-, medium-, low-risk)
- Areas of good practice
- A conclusion
- An overall risk rating
- Numbered findings and a rating for each finding and the potential implications for the University
- Recommendations
- *Nb: Where work is of an advisory nature, the report and findings will not be assigned a risk rating.*

After issuing the draft report, the University audit sponsor and relevant team will provide comments and action plans for addressing the audit findings. These will be incorporated into a final version of the report.

The University team may challenge an audit finding if it is felt to be incorrect, e.g. where supporting evidence has not been obtained throughout the review but does exist.

Care should be taken to consider the relevance and timing of agreed actions. It is important to select a timeframe that is achievable as action owners will be held to account for delivering actions in the agreed time frame.

Most audits will have a risk rating, however the University recognises the value of advisory reports, for example work conducted as the new arrangements to mitigate risks are being developed. Such work can and should be included in the plan where appropriate.

The final report will be distributed to relevant members of management. The auditor will present final reports to the Audit and Risk Committee.

The internal auditor will be expected to provide insights and thought leaderships e.g. bringing to the University's attention good practice and sector developments relevant to the work of the Audit and Risk Committee.

- 9.6 **Implementing the action** – A management action plan will be agreed by the relevant management team to address the findings within the final report. It is the overall responsibility of the audit sponsor to ensure that the actions relating to the audit are delivered as agreed.

The named action owner will implement the action(s) within the stated timeframe. Any progress updates to actions or evidence of completion can be submitted directly to the auditor or via the audit and risk advisor.

Where an extension to the timeframe is required the rationale and new proposed target date will need to be submitted in writing to the auditor to request approval at the Audit and Risk Committee.

The auditor, supported by the University's audit and risk advisor will be expected to track progress and report on the status of actions to address internal audit findings and to proactively resolve any issues.

Where progress to actions is not being made and updates to actions cannot be obtained, these actions will be escalated to the assistant director of assurance, compliance and risk to advance.

- 9.7 **Feeding back** – the University has a number of mechanisms with which feedback is collated:

- The audit sponsor will provide feedback to the internal audit provider and the Audit and Risk Committee by completing a feedback form included in the audit report.
- Weekly meetings are held with the audit and risk advisor and the audit manager.
- Monthly client liaison meetings are held with the internal audit provider, the assistant director of assurance, compliance and risk, the insurance, audit and risk manager, and the audit and risk advisor.
- Termly meetings are held with the head of internal audit, a senior audit manager, the University registrar and secretary and the assistant director of Assurance, compliance and risk.
- Annual contract reviews will be held with the head of internal audit, a senior audit manager, the University registrar and secretary and the assistant director assurance, compliance and risk.
- Feedback from all University staff involved in the internal audit process may also be given directly to the internal audit team or via the University's audit and risk advisor.

## 10. Reporting Audit Findings

### 10.1 University Executive Board

All final audit reports will be provided to University Executive Board (UEB) via a dedicated audit SharePoint site.

### 10.2 Audit and Risk Committee

The Audit and Risk Committee meetings will include an internal audit progress report at each committee meeting, presented by the appointed internal auditor. This will include:

- Developments in the sector,
- A summary of the progress of the audits against the annual plan,
- Proposed changes to the plan,
- Any follow up work
- Update on the internal audit actions (e.g. completed; open, not due; overdue).

An annual report, to include the Head of Internal Audit's opinion, will be presented to the Audit and Risk Committee at the last meeting of the academic year. The opinion should be based on the internal audits completed over the year and the control objectives agreed for each individual audit.

The University follows the Committee of University Chair's Higher Education Audit Committee Code of Practice (May 2020), which requires the Audit and Risk Committee to provide an opinion to the Council of the adequacy and effectiveness of the institution's arrangements for risk management, control and governance, sustainability, economy, efficiency and effectiveness.

The annual report will include the following elements:

- Summary of the audits undertaken over that academic year and a summary of their findings
- The Head of Internal Audit opinion and it's basis
- A Summary of the performance of the internal audit team
- A Summary of actual days spent on audit plan and cost v budget

The Audit and Risk committee will satisfy itself that the performance and effectiveness of audit services, including any matters affecting their objectivity, and make recommendations to Council.

## **11. Policy Monitoring**

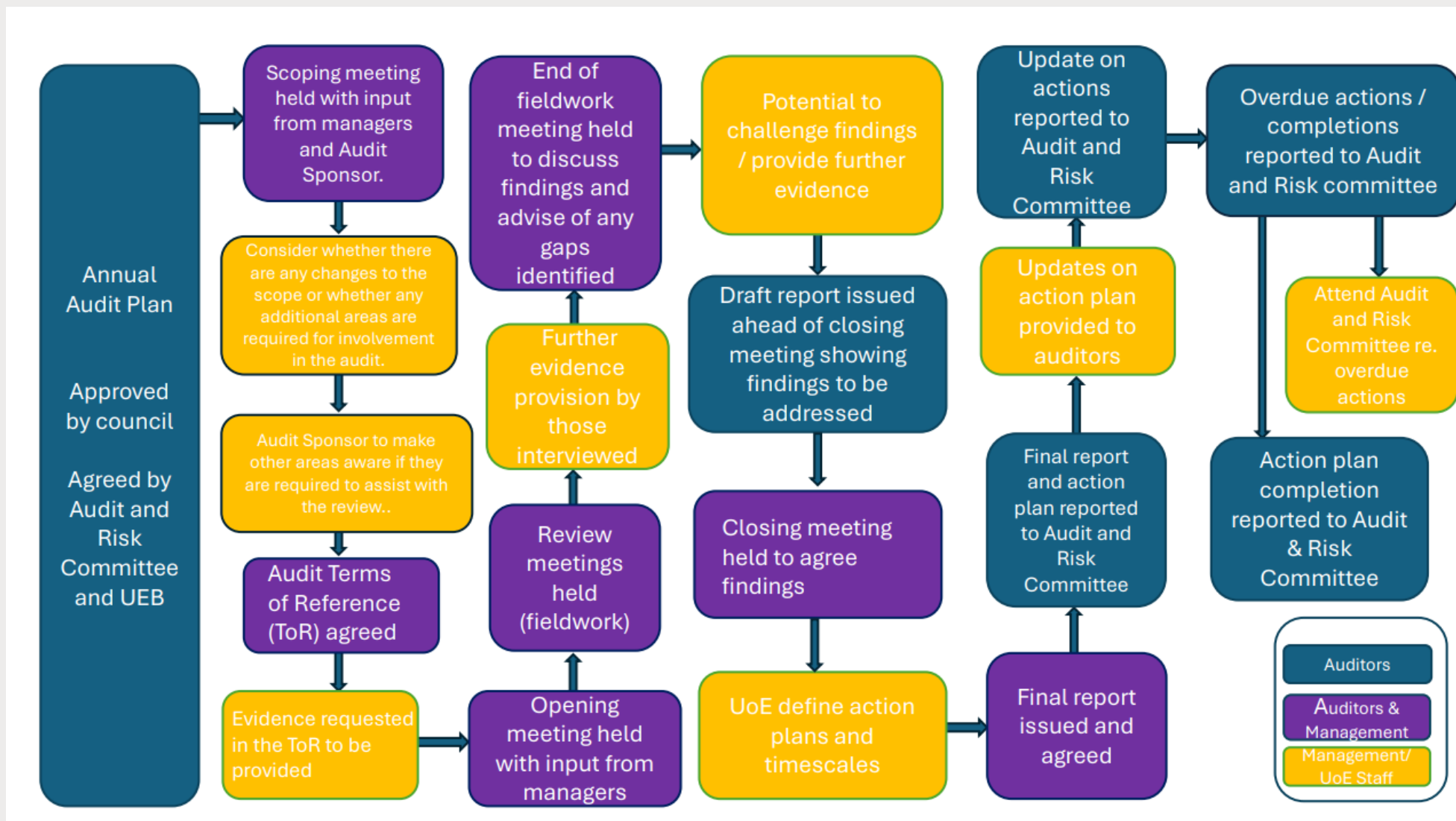
- 11.1 The Audit and Risk Advisor and Insurance, Audit and Risk Manager will monitor the audit policy annually.
- 11.2 The following areas will be investigated to provide assurance of the audit function in the University:
  - a) Review the feedback from each audit and consider and measures that need to be taken
  - b) Review the timely completion of the annual audit plan
  - c) Review the closure of audit actions to determine the number of audit actions closed within their agreed timeframe to be determined on an annual basis and compared to those that are still ongoing.
  - d) That the terms and conditions of the audit contract are being met
  - e) That roles and responsibilities are being met

The findings of the policy monitoring will be reported to the Compliance Committee and Audit and Risk Committee and any action required to address any issues identified will be monitored by Compliance Committee.

## **Appendices:**

- 1) Diagram of Audit Process
- 2) Table of roles and responsibilities

## Appendix 1: Audit Process



## Appendix 2: Roles and Responsibilities

	Senior Procurement Officer	Compliance Committee	UEB	ARC	Council	CFO	Assistant Director, Assurance, Compliance and Risk	Audit and Risk Advisor	Audit Sponsor and Auditees	Auditors
<b>Audit Procurement</b>										
Invitation to Tender (ITT)	X						X	X		
ITT Evaluation and Moderation	X						X	X		
Due Diligence	X						X	X		
Debrief bidders							X	X		
Award Contract	X									
Recommendation on process and appointment provider				X		X				
Approval of process and provider					X					
<b>Audit Planning</b>										
Approve Annual audit plan taking into account the suitability and availability of resources				X	X					
Scoping meeting								X	X	X
Agree ToR for each audit				X					X	X
Agree audit timing				X					X	X
Determine Key contacts								X	X	
<b>Audit Fieldwork</b>										

Opening meeting								X	X	X
Conduct fieldwork										X
Closing meeting								X	X	X
<b>Audit Reporting and Actions</b>										
Agree Final Report									X	X
Determine action plan to address findings									X	
Monitor audit actions are being closed out effectively		X		X				X	X	X
Approval of exceptions to agreed timeframes				X						
Oversight audit outcomes			X	X			X	X	X	
Promote co-ordination between the internal and external auditors.				X						
<b>Policy Monitoring</b>										
Monitoring of Audit Policy							X	X		
Monitoring of performance and effectiveness of audit services										
Review audit feedback forms				X			X	X		
Review effectiveness of service provision				X			X	X		
<b>Non-Audit Services</b>										
				X						