University
of Exeter

AUDIT AND RISK COMMITTEE

MINUTES AND ACTIONS – APPROVED
11 May 2023 – TIME 10.00-13.30, Council Chamber (Northcote House) and online via Microsoft Teams

CONTENTS:

Closed Session for Audit and Risk Committee Members (Discussion not formally minuted)

ACTIONS

Item	Action	Owner	Deadline
2.3	a report on the additional physical site inspections would be provided to Audit and Risk Committee for information at the meeting on 26 June 2023	Assistant Director, Compliance and Risk	June 2023
3.1	a new section would be added to the termly risk register report focused on new and emerging risks, including consideration of any direct impact on delivery of Strategy 2030	Assistant Director, Compliance and Risk	May 2023
3.1	that a recurring item would be added to the Audit and Risk Committee agenda alongside the termly risk register report to ensure there was focused attention on new and emerging risks and consideration of the potential impact on delivery of Strategy 2030	Assistant Director, Compliance and Risk	May 2023
3.1	that the University's approach to horizon scanning activity would continue to be reviewed and monitored on a regular basis	Assistant Director, Compliance and Risk	June 2024
4.3.4	that a review would be undertaken of the University's compliance with the UK Bribery Act 2010, including potential for commissioning external legal perspectives to provide additional assurance on institutional procedures and arrangements in this area	Chief Financial Officer / Assistant Director, Finance	October 2023
4.3.4	that an update report would be scheduled for Audit and Risk Committee on 26 June 2023 outlining the work being undertaken by British Universities Finance Directors Group (BUFDG) to review ESG reporting across the sector and inform whether further assurances were required to be provided to Audit and Risk Committee on ESG reporting and sustainability targets	Chief Financial Officer / Assistant Director (Finance)	June 2023

4.4.9	that a paper outlining future options surrounding the ERBS pension scheme would be scheduled for Audit and Risk Committee on 26 June 2023	Chief Financial Officer / Assistant Director (Finance)	June 2023
5.2.2	that the Assistant Director (Compliance and Risk) would share the Appendix D 'Access and Participation Plans – Themes from Internal Audit' with Nichola Sinclair (Head of Widening Participation) and a brief progress update report on latest Access and Participation Activity would be scheduled in the Academic Year 2023/24	Assistant Director, Compliance and Risk	December 2023
5.3.4	that the Faculties (new structure) internal audit report would be shared alongside the Future Structures Programme report provided to Council in July 2023.	Assistant Director, Governance	July 2023
5.3.4	that an additional report would be presented to Audit and Risk Committee on recent improvements, opportunities, and challenges in Financial Management at Departmental and Faculty Level in the Academic Year 2023/24, including increased focus on income generation and efficiency targets	Chief Financial Officer / Assistant Director, Finance	November 2023
5.4.8	that a further update would be provided to Audit and Risk Committee on the implementation of the SITS programme in the autumn term of AY 2023/24	Registrar and Secretary	September 2023
6.1.8	that subject to consultation with the Chair of Council, a strategic discussion would be scheduled at Council on opportunities and challenges surrounding Chat GPT, Data Science and AI in the Academic Year 2023-24	Assistant Director, Governance	April 2024
7.5	that consideration would be given to whether more frequent mandatory training should be required on prevention of Fraud and Money-Laundering	Assistant Director, Governance	October 2023
7.5	that a report on Financial Controls for prevention of fraud and money laundering would be retained as an annual item within the Audit and Risk Committee schedule of business	Chief Financial Officer / Assistant Director, Governance	October 2023

12.5	that a further Procurement Competition Waiver update report would be scheduled at Audit and Risk Committee on 26 June 2023 to provide more detailed information on the procurement process, technical justification and rejection rate to enable further assurance that appropriate processes were in place;	Chief Financial Officer / Assistant Director, Governance	October 2023
12.5	that the Head of Procurement would be invited to the next meeting of Audit and Risk Committee on 26 June 2023 to respond to any specific queries	Chief Financial Officer	October 2023

DECISIONS

Item	Decision	Paper No.
1.1	The minutes of the meetings of 6 February 2023, 7 March 2023 and April 2023 were approved.	AUD-23-12/ AUD-23-13 / AUD-23-14
6.1.8	to approve the recommendations detailed in section four and inclusion of the key risks identified (academic misconduct arising from improper use of AI and ongoing cyber risks associated with AI technology) within the next review of the risk register and actively monitored on an ongoing basis;	AUD/23/20

Attendees

Members Present
Nicholas Cheffings   Chair and Independent Member
Graham Cole   Independent Member
David Dupont   Independent Member
Simon Enoch   Independent Member
Alison Reed   Independent Member

In attendance
Mike Shore-Nye   Registrar and Secretary
Dr Michael Wykes   Divisional Director, University Corporate Services
Andrew Connolly   Chief Financial Officer

Ben Lawlor   Insurance, Audit and Risk Manager
Kate Lindsell   Assistant Director, Compliance and Risk
Matthew Elmer   PwC, Internal Audit
Alison Breadon   PwC, Internal Audit

Rees Batley   KPMG, External Audit
Joe Wall   Assistant Director, Finance
Dr Jeremy Diaper   Assistant Director, Governance (minutes)

1. Welcome and Declarations of Interest

1.1 The Chair welcomed members to the Audit and Risk Committee meeting. There were no declarations of interest in relation to items under discussion.

2. Minutes of the Meetings of 6 February 2023, 7 March 2023 and 19 April 2023 (AUD-23-12, AUD-23-13, AUD-23-14 Confidential)

2.1 The minutes of the meetings of 6 February 2023, 7 March 2023 and April 2023 were **APPROVED.**

2.2 The actions emerging from both meetings were reviewed and it was noted that all actions were either completed or in progress;

2.3 in relation to the minutes of 19 April 2023, it was noted that the additional physical site inspections of a broader sample of University student residences had been completed. The findings were consistent with the earlier Internal Audit Report on Compliance with the UUK Accommodation Code of Practice. No material exceptions to the mandatory elements of the Code had been identified;

ACTION: a report on the additional physical site inspections would be provided to Audit and Risk Committee for information at the meeting on 26 June 2023.

3. Matters Arising

a) approach to Horizon Scanning (AUD-23-15 Confidential)

3.1 The paper outlined plans to formalize the horizon-scanning methodology and increase the focus on identifying and assessing new and emerging risks;

ACTION: that a new section would be added to the termly risk register report focused on new and emerging risks, including consideration of any direct impact on delivery of Strategy 2030;

ACTION: that a recurring item would be added to Audit and Risk Committee agenda alongside the termly risk register report to ensure there was focused attention on new and emerging risks and consideration of the potential impact on delivery of Strategy 2030;

ACTION: that the University's approach to horizon scanning activity would continue to be reviewed and monitored on a regular basis;

3.2 The importance of the following was noted in discussion:

3.2.1   ensuring that there was a clear distinction between horizon scanning activity and risks that could be quantified but remained uncertain;

3.2.1   utilising a range of sector-level intelligence from across a number of different forums, including

Universities UK and the Russell Group.

b) Renewal of Independent Memberships for Audit and Risk Committee

3.3 The Chair reported that at the recent Nominations Committee meeting on 17 May 2023, the following extensions to terms of office had been endorsed for approval by Council on 18 May 2023:

3.3.1   David Dupont's term as an Independent Member of Audit and Risk Committee for an additional three-years from 1 August 2023 – 31 July 2026;

3.3.2   Simon Enoch's term as an Independent Member of Audit and Risk Committee for an additional two-years from 1 August 2023 – 31 July 2025;

3.4 The Chair thanked both David and Simon for their valuable contributions to date and their willing to continue their membership of the Committee.

Secretary's Note: Council formally approved the extensions to the terms of office for David Dupont and Simon Enoch as detailed above at the meeting on 18 May 2023.

c) Appointment of new Chief Financial Officer

3.5 It was further noted that, following an extensive external recruitment process, David Stacey had been appointed as the new Chief Financial Officer and Executive Divisional Director of Finance, Infrastructure and Commercial services and would take up the role from 14 August 2023;

3.6 David joined the University with extensive experience in senior management roles in the NHS, latterly as Chief Finance Officer (CFO) and Deputy Chief Executive at Torbay and South Devon NHS Foundation Trust. The Committee welcomed the appointment and Andrew Connolly's willingness to offer his support to David during his first academic term.

4. External Audit Plan (AUD-23-16 Confidential)

4.1 Rees Batley reported that the Audit Plan and Strategy for the year ended 31 July 2023 had been finalised and no further revisions were expected;

4.2 He noted that, as part of the audit planning and risk assessment procedures, the following significant risks had been identified:

4.2.1   *Valuation of USS pension provision:* due to key assumptions made as part of the USS pension liability valuation (£210.9m on 31 July 2022), including projected pay and headcount growth, small changes could potentially result in a material impact to the valuation;

4.2.2   *Research Income and Expenditure:* there was a significant risk of error in the recognition of research revenue due to inappropriate allocation of overheads and direct costs to research projects;

4.2.3   *Management override of controls:* the audit methodology incorporated the fraud risk from management override of controls as a default significant risk;

4.3 The following was noted by the Committee in discussion:

4.3.1   that the Audit Plan did not currently acknowledge the responsibilities under the UK Bribery Act 2010 and the risks resulting from increasing overseas activity, the greater use of consultants and lack of systems for controlling consultants undertaking commercial activities;

4.3.2   professional scepticism was embedded within the audit planning and risk approach, including auditor objectivity, independence and professional judgment in questioning responses from senior management as and when required and requesting audit evidence to corroborate responses;

4.3.3   the University's Annual Report included reporting on a wide range of ESG (Environmental, Social and Governance) metrics, including: wider responsibilities through the lens of the United Nations 17 Sustainable Development Goals (UN SDGs), carbon reduction and the ESG characteristics of the investment portfolio;

4.3.4   in light of the significance of Environmental Sustainability to Strategy 2030, it was critical to ensure the University's ESG reporting was highly credible and reflective of the University's values and overall commitment to sustainability and a greener future;

ACTION: that a review would be undertaken of the University's compliance with the UK Bribery Act 2010, including potential for commissioning external legal perspectives to provide additional assurance on institutional procedures and arrangements in this area.

ACTION: that an update report would be scheduled for Audit and Risk Committee on 26 June 2023 outlining the work being undertaken by British Universities Finance Directors Group (BUFDG) to review ESG reporting across the sector and inform whether further assurances were required to be provided to Audit and Risk Committee on ESG reporting and sustainability targets.

4.4 The following was noted in relation to the risks surrounding the University's pension provision:

4.4.1   as the Universities Superannuation Scheme (USS) was one of the biggest private pension Schemes in the UK the University's ability to reduce pension liability was limited and dependent on the wider response of over 340 employers from across the Higher Education sector;

4.4.2   the funding position of USS had improved as it approached the 2023 valuation, which was partly attributable to falling gilt yields, rising interest rates, current market conditions and changes to the scheme implemented from April 2022. The latest financial monitoring reports indicated the scheme had a £5bn technical provision surplus based on the position on 31 December 2023, in contrast to the £14.1bn deficit at the 31 March 2020 valuation;

4.4.3   Mike Shore-Nye (Registrar and Secretary) was a UUK appointed member of the Joint Negotiating Committee, which enabled the University to remain informed on the management of the Scheme and changes in contributions and future benefits;

Closed Minute

5. **Internal Audit Reports**

    a) Internal Audit Plan - Progress Report 2022/23 (AUD-23-17 Confidential)

5.1 Matthew Elmer gave the progress update against the 2022/23 internal audit plan;

5.2 It was noted that a recent PwC thought leadership document was included which outlined common themes identified in the past 12 months from Internal Audit reviews in the areas of:

5.2.1   HE Financial Controls, including: Procurement and Contract Management, Treasury and Financial Sustainability;

5.2.2   Access and Participation Plans;

ACTION: that the Assistant Director (Compliance and Risk) would share Appendix D 'Access and Participation Plans – Themes from Internal Audit' with Nicola Sinclair (Head of Widening Participation) and a brief progress update report on the latest Access and Participation Activity would be scheduled in the Academic Year 2023/24.

b) Faculties (New Structure) (AUD-23-18 Confidential)

5.3 Alison Breadon reported the conclusions that in relation to the Faculties (New Structure) Internal Audit 2022/23:

5.3.1   the Future Structures Programme had been effectively programme managed and enabled the formation of new faculties with a focus on facilitating alignment with Strategy 2030 and fostering greater interdisciplinarity opportunities. This had recently been especially apparent in the quality and depth of innovative interdisciplinary proposals emerging from the annual planning process;

5.3.2   a key area of focus would be on ensuring that the new structure created more empowered academic departments and focus on local decision-making;

5.3.3   it would be important to ensure there was continued reflection on wider cultural change and different ways of working. The results of the first Culture Index Pulse Survey (which was open from 11 May 2023 – 26 May 2023) would provide a baseline of information from which additional targeted actions could be identified and agreed;

5.3.4   it was acknowledged that the new approach to governance and leadership arrangements had developed a greater understanding amongst Heads of Department regarding the importance of financial management and controls at Departmental level;

ACTION: that the Faculties (new structure) internal audit report would be shared alongside the Future Structures Programme report provided to Council in July 2023.

ACTION: that additional reports would be presented to Audit and Risk Committee on recent improvements, opportunities and challenges in Financial Management at Departmental and Faculty Level in the Academic Year 2023/24, including updates on the increased focus on income generation and efficiency targets.

C) Data Quality (HESES) (AUD-23-19 Confidential)

5.4 The following was noted in relation to the Data Quality (HESES) Internal Audit 2022/23:

5.4.1   in February 2022, the University had been selected for the Office for Students (OfS) 2020-21 Higher Education Statistics Authority (HESA) reconciliation exercise which compared the data returned in the 2020/21 student return and HESES20 data. A number of errors in the 2020/21

HESA data had been identified through this exercise which led to differences between the HESES and HESA returns;

5.4.2   the University had not received the outcome of the HESA reconciliation exercise but had formally responded and was awaiting a further response;

5.4.3   the purpose of the internal audit review had been to assess the quality of data used in the preparation and compilation of the HESES22 return;

Closed Minute

ACTION: that a further update would be provided to Audit and Risk Committee on the implementation of the SITS programme in the Academic Year 2023/24;

6.   Chat GPT and Generative AI Tools (AUD-23-20 Open)

6.1 Kate Lindsell noted that:

6.1.1 a significant level of consideration was being given to the appropriate use of Chat GPT and generative AI at the University, recognizing the vast possibilities that the use of AI may bring to the teaching and learning experiences of students and staff;

6.1.2 the two key risks identified, including: academic misconduct arising from improper use of AI and ongoing cyber risks associated with AI technology;

6.1.3 new AI detection technology from Turnitin was now available and the University was looking to work alongside peers in piloting and testing the development of the AI detection tool to inform any wider launch of the tool as part of assessments;

6.1.4 one of the key major academic initiatives within the Strategy 2030 delivery plan was focused on Data Science and AI which would help to enable enhanced international recruitment, research power and STEMM growth;

6.1.5 there were a wide range of opportunities to utilise AI to enhance the learning experiences of students and approach to the delivery of teaching;

6.1.6 that the incubator project would incorporate an assessment of the strengths, weaknesses, opportunities and threats across the academic and compliance landscape to establish a risk-based approach to the use of AI as an emerging technology;

6.1.7 that there were also opportunities to utilise AI for the development of research innovation and knowledge transfer, including: engineering and industry activity ranging from manufacturing, logistics, passenger transportation flow and autonomous vehicles;

6.1.8 the importance of exploring developments in AI technologies and maximising opportunities to enhance the broader institutional approach to digital innovation;

ACTION: to approve the recommendations detailed in section four and inclusion of the key risks identified (academic misconduct arising from improper use of AI and ongoing cyber risks associated with AI technology) within the next review of the risk register and actively monitored on an ongoing basis;

ACTION: that subject to consultation with the Chair of Council, a strategic discussion would be scheduled at Council on opportunities and challenges surrounding Chat GPT, Data Science and AI in the Academic Year 2023/24;

7. Financial Controls Report for Prevention of Fraud and Money-laundering (AUD-23-21 Open)

7.1 The report received provided an overview of the key financial controls, policies and procedures that were in place to prevent and detect fraud and money-laundering, to which Andrew Connolly spoke

7.2 As detailed in section 3.14 of the paper, PWC completed a variety of Internal Audits on an annual basis to provide assurance that key financial controls were in place. In addition to the Internal Audits undertaken each year a number of supplementary audits had also taken place;

7.3 HMRC were currently undertaking an audit as part of a collective HEI audit approach to reviewing our compliance to policy and ensuring appropriate governance, process and controls were in place in relation to a number of HR and Finance activities. The audit was scheduled to conclude in Summer 2023;

7.4 As detailed in section 3.18 of the paper, incidents of detected and reported fraud were infrequent and there were only a few instances over the last decade;

7.5 All relevant staff were required to undertake biannual training to enable them to identify suspected fraudulent activity;

AGREED: that consideration would be given to whether more frequent mandatory training should be required on prevention of Fraud and Money-Laundering;

AGREED: that a report on Financial Controls for prevention of fraud and money laundering would be retained as an annual item within the Audit and Risk Committee schedule of business.

8. Data Assurance Update (AUD-23-22 Confidential)

8.1 Michael Wykes confirmed that all of the deadlines for the key statutory returns in 2022/23 had been met and no significant data quality issues had been identified;

8.2 In addition, data processes continued to be reviewed by the teams leading the relevant return processes. A standard data assurance process template was completed following the completion of each return;

9. Equality, Diversity and Inclusion – Audit and Risk (AUD-23-23 Open)

9.1 Audit and Risk Committee received a tabled presentation from Shades Chaudhary, the Assistant Director (Culture and Inclusion) which has been filed with the record of the meeting;

9.2 It was noted that:

9.2.1 the delivery of the University's EDI commitments were overseen by the Wellbeing, Inclusion and Culture Committee (a sub-committee of UEB co-chaired by the Provost and Divisional Director of Human Resources) and a number of Equality Groups which helped to facilitate the

implementation of recommended actions and ensure that Equality and Inclusion remained a high priority for the University;

9.2.2 a number of Equality Groups (including the Disability Equality Group, Sexual Orientation Equality Group, Gender Equality Group, Race Equality Group, Faith and Worldview Equality Group) were chaired by UEB leads to facilitate the implementation of recommended actions;

9.3 data and insights was an area of continued development to help ensure there was a focus on analysis of EDI issues to inform focused action planning and the provision of enhanced institutional support;

9.4 the University was participating in the '100 Black Women Professors Now' change Programme for UK Higher Education institutions to propel equity of opportunity for Black women academics, researchers and PhD students to help deliver a step change in progress for the sector;

9.5 roles at Faculty and Departmental Level had also been introduced to help support and embed EDI activity and practice, including Directors of EDI;

9.6 work was being undertaken to ensure student success across all demographic groups by looking at issues relating to attainment and access and participation;

9.7 there was a continued emphasis on upskilling the wider student and staff community, through a range of initiatives including Diversity champions, trans/Neurodiversity Awareness and Bystander training. Bystander intervention training had been delivered to over 700 students between October and November 2022;

9.9 The following was noted in discussion:

9.9.1   the University had a network of Dignity and Respect Advisors and Speak Out Guardians who were able to provide a confidential service for anyone who had experienced cases of harassment or bullying, including instances of microaggression or misogyny;

9.9.2   the first 'Our Culture Conversation' Survey had recently been launched to help understand the experiences of staff working at the University and to create a better working environment and shape improvements across the University community, with a focus on enhancing wellbeing, inclusion and culture.

9.9.3   the job description for the new DVC (Culture and Inclusion) was being finalised and interviews were tentatively scheduled to be held on 8th September 2023;

10. Vice-Chancellor's Report

10.1 The Vice-Chancellor joined the meeting and provided a verbal update to the Audit and Risk Committee on digital transformation

Closed Minute

11. Digital Strategy Update (AUD-23-24 Open)

The Chief Digital Officer (Ash Roots) and Digital Business Manager (Helen Cocks) were invited to the meeting. The 2030 Digital Strategy Risk Review Document was tabled and circulated to members of the committee via email for information. It has also been filed with the record of the meeting;

11.1 Helen reported that:

11.1.1 the Digital Strategy was designed to ensure the University would become the most accessible and connected university destination for any user and introduce new digital capabilities, tools technologies, skills and ways of working;

11.1.2 since the previous update to Audit and Risk Committee in February 2023, the monthly programme of Digital Upskill Experiences had been launched to help staff and students share knowledge and skills. Weekly Wednesday events were also being held for key stakeholders to provide feedback and co-create the digital journey;

11.1.3 the University of Exeter's Digital team had presented at the Times Higher Education (THE) Digital Universities UK 2023 event to share how Universities can utilise digital tools and technologies to drive digital transformation. The University would also be hosting the Digital Universities event in 2024;

11.1.4 the Digital team had recently undertaken a review of outcomes and delivery against key priorities in April 2023, with the next review point scheduled in July 2023;

11.1.5 the opportunities to utilise digital transformation to help create a well risk-managed organisation was noted;

12. Procurement Competition Waiver (PCW) Report (AUD-23-25 Open)

12.1 Andrew Connolly spoke to the Procurement Competition Waiver Report, which detailed the goods, works and services procured with an aggregated value of £50k or above by a non-competitive means between October 2022 and March 2023;

12.2 The Committee queried whether there was sufficiently robust technical justification provided for the items procured in Appendix 1 and noted that there appeared to be a fairly large number of items purchased through non-competitive means and that in some instances these were for relatively material sums of money;

12.3 Andrew advised that the Procurement Competition Waiver was only utilised by exception, but tended to be slightly more prevalent for some bespoke scientific research. It was also highlighted that for Estates Projects existing framework agreements were also being utilised;

Closed Minute

ACTION: that a further Procurement Competition Waiver update report would be scheduled at Audit and Risk Committee on 26 June 2023 to provide more detailed information on the procurement process, technical justification and rejection rate to enable further assurance that appropriate processes were in place;

ACTION: that the Head of Procurement would be invited to the next meeting of Audit and Risk Committee on 26 June 2023 to respond to any specific queries;

13. Chair's Closing Remarks

13.1 The Chair thanked members for their contribution to the meeting and noted that the next meeting of Audit and Risk Committee would be held on 26 June 2023.