

AUDIT COMMITTEE

A meeting of the Audit Committee was held on 26 September 2022 Council Chamber and via Microsoft Teams at 10:00-14:00hrs.

Agenda

1. Welcome and Declarations of Interest
2. Minutes of the Meeting 27 June 2022 (AUD/22/40) and Matters Arising
3. Proposed changes to Audit Committee and Terms of Reference for 2022/23 (AUD/22/41)
4. Annual Objectives of the Audit Committee 2022/23 (AUD/22/65)
5. University Restructure: Director responsibilities update Information Michael Wykes
6. University Annual and Accountability Reports:
 - a. Draft Annual Report and Financial Statements to 31 July 2022 (AUD/22/42)
 - b. Lending Covenants Update (AUD/22/43)
 - c. Contingent Liabilities (AUD/22/44)
 - d. Budget 2022/23 (AUD/22/45)
7. INTO Lease (AUD/22/46)
8. Internal Audit: 2021/22 internal audit final reports:
 - a. Internal audit annual report 2021/22 (AUD/22/47)
 - b. Updated internal audit risk management (AUD/22/48)
 - c. IT Obsolescence (AUD/22/49)
 - d. Staff Wellbeing (AUD/22/50)
 - e. Internationalisation & Student Recruitment (AUD/22/51)
 - f. Sustainability (AUD/22/52)
 - g. Progress report (AUD/22/53)
9. External Audit: - Sector Update Information
10. Risk Management - Update following Council:
 - a. Risk Management report 3 2021/22 (AUD/22/54)
 - b. Risk Management Resources (AUD/22/55)
 - c. Update on Risk Culture Action Plan
11. Horizon Funding (AUD/22/56)
12. Draft Annual Audit Committee Report (AUD/22/57)
13. TRAC Return (AUD/22/58)
14. Pensions Update (AUD/22/59)
15. External Audit Tender Decision (AUD/22/60)
16. Appointment of Internal Auditors (AUD/22/61)

Members:

- Independent Member - Nicholas Cheffings (Chair)
- Independent Member - Graham Cole
- Co-opted Member- David Dupont
- Co-Opted Member - Simon Enoch
- Independent Member -Alison Reed

In attendance:

- Mike Shore-Nye - Registrar and Secretary
- Nathan Burden - Director Exeter IT (items 3-9)
- Andrew Connolly - Chief Financial Officer
- Totty Brobyn (Committee Arrangements)
- Tracey Tuffin (minutes)
- Donna Fitzgerald - Deputy Director Finance Services
- Gareth Stansfield - Pro-Vice-Chancellor Faculty of Humanities, Arts and Social Sciences
- Joe Wall- Deputy Director Finance
- Christopher Lindsay - FSP Lead for Compliance, Governance and Risk
- Michael Wykes – Divisional Director, University Corporate Services
- Kate Lindsell – Assistant Director (UCS), Compliance and Risk
- Ben Lawlor - Insurance, Audit and Risk Manager
- Ali Breadon - PWC (for items 1-14 only)
- Catherine Bru – PWC (for items 1-14 only)
- Rees Batley - KMPG (for items 1-14 only)

ACTIONS and deadlines from the September meeting

Agenda Item	Action	Responsible Officer	Deadline
3	The Audit and Risk Committee proposal paper to be updated to reflect the points set out at section 3.6.	Assistant Director, Compliance and Risk	
3	An additional meeting of a subgroup of Audit Committee to be arranged for 17 November 2022 to review the first risk report of 2022/23.	Committee Secretariat	
3	That the Dual Assurance groups be reminded of the requirement to include a review of risk during their meetings.	Committee Secretariat	
4	That seeking to understand the underlying University culture be added to the Audit Committee objectives for the 2022-23 year and re-tabled for approval at next meeting.	Assistant Director, Compliance and Risk	
6	The amendments set out at 6.3 to be accommodated in the Annual Report and Financial Statement, and developed narratives to be circulated in advance of the next meeting.	Chief Financial Officer	
6	KPMG to work with the Chief Financial Officer to articulate the USS pension impact across the sector.	Rees Batley, KPMG	
7	Refer to the University QMPF Financial Advisor and include within the INTO Lease Proposal paper, and add a section setting out the impact of not providing the guarantee.	Chief Financial Officer	
7	Share a presentation on predicted RPI over the medium to long term.	Rees Batley, KPMG	
8	Add wording to the opinion based on feedback presented by PWC at the meeting of the good work underway.	Ali Breadon, PWC	
8	Highlight of audits that may result in high-risk verdicts and schedule for earlier in the year. PWC and Mike to discuss offline.	Ali Breadon, PWC, and Registrar and Secretary	
8	Include the work underway to improve culture with business partnering within the opinion.	Ali Breadon, PWC	
12	The PWC opinion to be included in the annual report of Audit Committee.	Chris Lindsay	

1 Welcome and Declarations of Interest

1.1.1 The Chair welcomed members, officers and representatives from KPMG and PWC, and thanked the Pro-Vice-Chancellor of the Faculty of Humanities, Arts and Social Sciences for joining the meeting.

1.1.2 Declarations of interest – none declared

2 Minutes of the Meeting 27 June 2022 (AUD/22/40) and Matters Arising

2.1 The Committee approved the minutes of the meeting on 27 June 2022 (AUD/22/40).

2.2 Updates on the actions from the minutes:

Actions: 27 June 2022

Agenda Item	Action	Responsible Officer	Deadline
3	Future update to Audit Committee on the University cyber insurance plans and provision	Director of Compliance, Governance and Risk	Included within Part II paper Completed
5	Update to be provided to Audit Committee on Horizon funding risk.	Director of Research Services	Agenda item 11 completed
7	Council to have sight of University insurance arrangements.	Committee Secretariat	Part II paper to be shared – completed
7	Post meeting send out details on insurance costs and claims	Risk and Compliance Manager	Completed
13	The Committee requested that inflation risk (currently under the heading "financial sustainability") is amended to be a standalone risk.	Risk and Compliance Manager	Completed
13	Feed back to the corporate risk owner of the Change in Government Policy risk (#77) that there should be a review of the UKRI global research funding (alternative to Horizon Europe)	Director of Compliance, Governance and Risk	Completed
14	Cyber security to be added to the 2022/23 forward agenda.	Committee Secretariat	Completed
14	Reduce the time between the October and March meetings of Audit Committee in 2022/23 by bringing the March meeting to earlier in the calendar year.	Committee Secretariat	Completed

3 Proposed changes to Audit Committee and Terms of Reference for 2022/23 (AUD/22/41)

- 3.1 A proposal was discussed to amend the remit of Audit Committee to an Audit and Risk Committee. This set out a stronger delegation of powers for the assurance of the effectiveness of risk management from Council to Audit Committee and would clarify roles and responsibilities and strengthen strategic focus.
- 3.2 The proposal supports the ongoing improvement in culture and engagement and should be read in conjunction with the associated paper at item 10.

- 3.3 Overall responsibility for risk management on the executive side would remain with UEB as the senior executive body, with the following changes:
- Operational oversight to rest with the Compliance Committee, chaired by the Registrar and Secretary;
 - The removal of the new, larger PSLT from the assurance pathway for the completed report, focusing on ownership and management of risk via individual liaison with senior managers.
 - The Audit Committee to become the Audit and Risk Committee, with a strengthened delegation from the Council to seek assurance on the management of risk across the University;
 - Discontinuance of the Risk Dual Assurance Group, to be replaced by the strengthened Audit and Risk Committee
- 3.4 It was noted that for the first year of the new arrangement only, alignment of committee meetings would be required: Audit Committee will require one additional meeting of a sub-group in November, and Compliance Committee will require two additional meetings as set out in Annex 2 of the report.
- 3.5 The new arrangements will resolve the current misalignment of meetings, resulting in the risk report reaching Audit Committee after it has been fully submitted to UEB before it is submitted as part of the broader Audit and Risk Committee report to Council.
- 3.6 The Committee approved the proposal with the following amendments:
- Clarify within the paper how, with the removal of PSLT from the assurance process, the senior managers will own and manage risk;
 - That, in a form that aligns with the strengthened reporting role of the Audit and Risk Committee, the annual risk discussion and horizon scanning at Council should continue, as the members may have an understanding of risks that might not otherwise be considered;
 - Emphasise that there will be no change to the other Dual Assurance roles in their oversight of risk pertaining to their particular area of responsibility;
 - Clarify that the role of Audit and Risk Committee is to seek assurance that risks are being managed, not to undertake the risk reduction activity;
 - Note that Audit and Risk Committee should be providing a more substantive assurance update to Council based on the proposed changes;
 - That the heading of Annex 2 should be amended to “Audit and Risk Committee”

ACTION – the Audit and Risk Committee proposal paper to be updated to reflect the points set out at section 3.6 (Assistant Director, Compliance and Risk)

ACTION – An additional meeting of a sub-group of Audit Committee to be arranged for 17 November 2022 to review the first risk report of 2022/23 (Committee Secretariat), the membership to be identified by the Chair.

ACTION – that the Dual Assurance groups be reminded of the requirement to include a review of risk during their respective meetings (Committee Secretariat)

4. Objectives of the Audit Committee 2022/23 (AUD/22/65)

- 4.1 The objectives for the Committee for the new academic year were tabled for approval. The proposal considered what was going on in the institution and the sector; also consider the audit plan, risk direction and financial assurance, particularly considering the difficult economic environment. The student perspective had also been more clearly included.
- 4.2 The Committee approved the objectives with one addition to reflect the need of the Audit Committee to have a good understanding of the underlying culture of the University.

ACTION – understanding the underlying University culture to be added to the Committee objectives for the year and re-tabled for approval at next meeting (Assistant Director, Compliance and Risk)

5. University Restructure: Director Responsibilities: An update from Michael Wykes

- 5.1 A verbal report was provided by Michael Wykes, Divisional Director of University Corporate Services (UCS). An overview of the structure was presented, which set out the benefits, including harmonisation and streamlining.
- 5.2 The UCS structure looks to provide assurance and key central functionality. Much of the sector is also taking this approach, particularly the Russell Group. It will take time to settle in, but places University of Exeter in a strong position.
- 5.3 An overview was provided of the Compliance Committee and its key functions and activity to date. This group was chaired by the Registrar and Secretary with representation from key compliance and academic areas. The Committee was charged with ensuring that compliance activity was meeting relevant requirements (e.g. legal and regulatory). A Compliance Framework/register had been created to ensure understanding of the full range of compliance expectations placed upon the University.
- 5.4 There were approximately 400 compliance entries on the register to date, following a review with most Professional Services areas, with the remainder of the areas in the process of completing. The Committee reviewed reports from these areas, which detail how compliance was met, on a level of 1 – 4 from self-assessment to regulatory review. This could clearly be linked to risk registers, and provide evidence for audits, joining up relevant compliance and assurance activity.
- 5.5 Ben Lawlor was welcomed to the meeting as the new Insurance, Audit and Risk Manager, and provided an overview of his background in risk and insurance.

- 5.6 The Registrar and Secretary noted that the Compliance Committee had been well thought through and would support the management of significant risks, identifying where additional resource and project management might be required. All Divisions are brought together with academic and Students' Union representation for a strong response, and the Committee reports to UEB. Thanks was offered to Chris Lindsay as the outgoing Director of Compliance, Governance and Risk, who had been a key member of the team, and without whom delivery to the high level achieved would not have been possible.
- 5.7 The Internal Auditors confirmed that the Compliance Committee was a significant achievement in an area where peers are struggling.

6. Financial Reports

- 6.1 Draft Annual Report and Financial Statements to 31 July 2022 (AUD/22/42) – this report was in two parts, with a narrative and financial information. The narrative remained subject to substantial editing and would be presented at the next meeting on 31 October. The financial information provided was currently being audited by KPMG, with fieldwork underway.
- 6.2 Finances were in line with forecast. In absolute terms the results are outstanding with a 17% growth income over the year and a high level of EBITDA at £58m. However this level of growth and EBITDA is not sustainable, it reflects the aftermath of various pandemic effects will normalise in future years. The headlines were:
- This is the first year that the 2020 USS pension deficit recovery plan is recognised.
 - Income from international fees exceeded £100M, as did research income
 - EBITDA was the highest that it has been at £58M
 - This level of EBITDA reflects:
 - unplanned levels of Home UG intake outside of our control due to A Level changes
 - Inability to increase staffing levels to respond to the level required for the staff and student experience, therefore staffing costs are understated, if activity were to be sustained at these higher levels
 - Significant investment had been made to deliver and protect student experience (evidenced via the NSS results this year)
 - Capital expenditure had been low due to the pause caused by the pandemic, and subsequently a reassessment of capital needs arising from Strategy 2030
 - Net debt had halved as at July 2022
 - The thank you payment of £750 to staff was included (total cost £5.4m)
- 6.3 The Committee noted the draft nature of the paper, and requested that the points below were taken into account:
- That the following be included: the fact that although the financial position looked particularly good now, this was because of exceptional circumstances and would normalise in future years.
 - That a statement be added to the report setting out the new University strategy, and what makes us dynamic and different from other institutions.
 - That, in addition to the Vice Chancellor and Chair's statements, efforts be made to make the document more impactful given all that had been achieved in the year.

- That the risk section be strengthened to evidence that we know what the key risks are, how we are mitigating them and what risks remain.
- That there should be more detail on the capital strategy, and what we were and were not doing, although noted that a new strategy on buildings, equipment and other projects would follow in the New Year.
- That the narratives be circulated in advance of the next meeting.
- That the volatility of the USS pension situation should be noted, and where possible a sector wide view provided.

ACTION – The amendments set out at 6.3 to be accommodated in the Annual Report and Financial Statement, and developed narratives to be circulated in advance of the next meeting.

ACTION – KPMG to work with the Chief Financial Officer to articulate the USS pension impact across the sector.

- 6.4 The Registrar and Secretary noted that a wider capital strategy was to go to Council next July. This would incorporate investment in adaptive estate to reduce carbon proposing a formal carbon budget.
- 6.5 Lending Covenants Update (AUD/22/43) – the report confirmed full compliance with all covenants. Full detail was included within the report.
- 6.6 Contingent Liabilities (AUD/22/44) – This was the first time that the report has been provided to Audit Committee. There was a contingent liability of \$58M, half of which was already accounted for in the financial balance sheets. A fully provided for loan guarantee to the Science Park would be coming to Council to consider how to resolve as it will crystallise. This was fully recognised in 2016 and remains in place. 50% of the loan remains outstanding, totalling £2.6M.
- 6.7 Budget 2022/23 (AUD/22/45) - Material items were presented that had materialised since the budget was approved. A benefit of £10M had been unexpectedly seen this year for the QR grant, initially allowed for as £4M benefit for next year. There was also more OfS teaching grant than expected, with a positive variance of +£2.2M. The exposure to energy price increases had been mitigated by fixed tariffs for the next year, covering 97% of the electricity cost increase, and 86% of the gas increase. Cost exposure for the following year could be significant if prices continued to rise.
- 6.8 All papers in this section were aimed at assisting the approval of the annual report and financial statements at the next meeting for onward recommendation to Council. Further information would be provided for the October meeting, including reports from both the internal and external auditors.

7. INTO Lease (AUD/22/46)

Closed Minute

8. Internal Audit: 2021/22 internal audit final reports:

- 8.1 The Chair thanked PWC for the work completed. Concern was raised by members of the Committee regarding the criticality of one review, and of two reviews rated high. It was acknowledged that the critical status relates to issues that the University was aware of, and that there was already an action plan in progress to resolve.
- 8.2 Internal audit annual report 2021/22 (AUD/22/47) (161) – the report was noted as draft as a few reports remained in progress and might influence the outcome. However, this was unlikely to have a material impact on the overall opinion. PWC’s audit opinion for the first time stated that “Major improvement is required”. It was stressed that this did not mean that the University itself was in a critical position. The opinion related primarily to pressures on the IT function and HR where there had been critical and high risk scores which when combined had led to the judgement.
- 8.3 It was noted that the University was already aware of the significant challenges in these areas and had been working hard to resolve them. Cyber security was a good example, where the University was, overall, ahead of other Institutions. It was noted that it remains important to monitor the actions required from the relevant audits and ensure that these were completed as soon as reasonably possible.
- 8.4 The Divisional Director of Information Technology confirmed that the substantial amount of effort required to address the challenges his division faced were recognised. The institutional Information Security corporate risk was scored at red, with an action plan in place to reduce this to amber by September 2023. It was also confirmed that the University was taking very significant actions to protect the network, many of which were beyond mitigations seen elsewhere in the sector. Exeter required high levels of security to obtain specific grants and research collaborations. Financial resources have been provided, recruitment was underway, and IT was looking to resolve its challenges as quickly as was reasonably possible, but it was important to understand that in some areas this would take time.
- 8.5 The Committee noted that it was disappointing to get a verdict of this nature when colleagues had worked so hard across the past few years, but that the reasons were understood. It was requested that the verbal update provided on the good work underway to resolve be reflected in the report for the information of UEB and Council.
- 8.6 The Committee also asked for an earlier delivery within the academic year of those audits that had the potential to return a high risk verdict, to allow time for actions to complete and greater assurance to be provided, rather than having sight of such verdicts at the end of the year when it is too late to make progress ahead of the annual report or for Committee members to be able to input their views.

ACTION – PWC to add wording to the opinion to reflect the feedback presented by them at the meeting of the good work underway to address the issues

ACTION – PWC to highlight audits that may result in high-risk verdicts and schedule circulation of drafts for earlier in the year. PWC and the Registrar and Secretary to discuss.

8.7 Updated internal audit of risk management (AUD/22/48) – classified as low risk with good practice identified. One medium and two low risk findings recorded, with the management action plan reflecting proposed changes to risk management to be discussed at item 11.

8.8 IT Obsolescence (AUD/22/49) – classified as high risk overall. It was noted that the findings were already known to the University, with actions already in progress to address. An overarching policy and processes regarding asset management would resolve. The Divisional Director of IT confirmed that there were varying degrees of control in place, with critical systems under good control, but inconsistencies for smaller systems at a local level. The management response commits to addressing this with a central record, and a means to monitor the policy when introduced.

8.9 The Committee stressed that it was unfair for the Divisional Director and his team to shoulder this, and that senior management should set expectations from the top.

8.10 It was noted that, as with other institutions, researchers are personally responsible for the funds associated with grants. The new structure with IT partnerships and improvements in management systems will make policy and central management more achievable, but it must also protect the efficiency and effectiveness of processes.

8.11 It was questioned whether equipment that would not be connected to the network could follow a lower level process. In order to ensure that data governance requirements were also met, all equipment should follow the same process.

ACTION – Alison Breadon, PWC to include the work underway to improve culture with business partnering within the opinion.

8.12 Staff Wellbeing (AUD/22/50) – classified as medium risk (at the lower end). It was noted that the prioritisation of staff wellbeing activities should be prioritised and more clearly set out, monitored and have governance in place.

8.13 Internationalisation & Student Recruitment (AUD/22/51) – classified as low risk with good practice identified. The Committee noted that there was a lot of planned change in this area in the near future, with Jane Chafer, Executive Divisional Director of External Engagement and Global, and Mark Goodwin, DVC Global, both leaving. Recruitment was underway, and an interim Director had been identified.

8.14 The Committee asserted that there should be more energetic pursuance of alternative international markets. The strategy had a target of 40% international students, and we should be far bolder in our approach. This does not come across in the report. The Registrar and Secretary noted that this risk had materialised very recently after the completion of the report, and that there was a meeting planned with the Head of Global to discuss targeted

areas for recruitment.

- 8.15 Sustainability (AUD/22/52) - classified as low risk with a good outcome. Findings relate to embedding net zero in decision-making and projects. The Chief Financial Officer confirmed that the new Director of Sustainability would take up post next week, and came to Exeter from Cambridge, which was noted within the report as having good practice in place. The Registrar and Secretary confirmed that the new Director would help to evolve the approach to strategic investment. The Capital Management Group would consider this through the autumn term.
- 8.16 Progress report (AUD/22/53) – There were two reviews ongoing to complete the 2021/22 programme, which would be reported at the October meeting. Work for the 2022/23 programme had commenced with scoping meetings underway. There were a number of areas with actions overdue and extensions requested, but all were being closely monitored by the Insurance, Audit and Risk team. The areas requesting this and the nature of the reviews were seen as understandable due to the fundamental changes taking place at the current time.

9. External Audit: - Sector Update Information - KPMG

- 9.1 It was noted that the additional paper on contingent liabilities was very good practice. The key risks being considered across the sector at present were discussed, and felt to have been covered in discussions:
- Pensions were a hot topic
 - Cost of living for students and staff – noting that this may have an impact on student applications. Also noting the impact on lower grade staff and any support in place.
 - Staff wellbeing risks continued to increase, with rising costs and associated support requirements.
 - Rising business costs and risks associated with inflation and utilities.
 - Strategy – capital investment plans – institutions were conducting post covid reviews of estates and plans, particularly use of back office space.
 - Investment in systems that support a more hybrid teaching approach.
- 9.2 The PVC was asked for his thoughts on staff wellbeing and the cost of living. He noted that this had been discussed in UEB, with particular concern around early career staff and post doctorates.
- 9.3 The Registrar and Secretary confirmed that there were routes for staff to flag concerns and access support. It was noted that the University was bound into the national pay negotiating framework and it was difficult for the University to act beyond this. The University was prioritising lower paid staff for support. There is the potential to repeat the reward payment made to staff earlier this year.
- 9.4 With regard to students, a Cost of Living Working Group had been convened, focusing on households with sub £25k income for a bursary. There was a continuing hardship fund for digital poverty, and cheaper access to food provisions and transport. Any additional measures would need to be approved by Council.

9.5 The Committee asked for input from KPMG considering the new government and potential new policies. It was too early to reach conclusion right now. KPMG would feed back once there is information to share. Policy updates would be circulated to key personnel on receipt. The first update was expected within the next few months.

10. Risk Management - Update following Council:

10.1 Risk Management report 3 2021/22 (AUD/22/54) the risk register discussed at Council in July was shared, with confirmation that the Divisional Director of IT had attended to provide detail on actions for the IT Security risk as the highest scored risk reported. Council recognised the journey that the University was on to resolve this. Risk register leads were now preparing for the next submission on 7th October.

10.2 Risk Management Resources (AUD/22/55) Thanks were offered to Tracey Tuffin for her great efforts in the interim role, and there was acknowledgement of the new Insurance Audit and Risk Manager within the team. This would free resource to move forwards with the digital risk management system and to liaise more closely with risk owners to support.

10.3 Update on Risk Culture Action Plan – the action plan from the 2019 review was ongoing with most actions now closed. This related to a programme of ongoing improvement to risk maturity. The following key points were covered:

- Broaden risk discussions – the most recent PWC risk management audit showed the improvements made. Covid helped in many respects to grow skill around risk management, with Committees now more engaged in risk discussions. The blank paper exercise held with Council had work well and a strong risk engagement with Council would continue. Similar black paper exercises had now been rolled out across the Compliance and Risk group, with the Health and Safety Team seeking to roll out this approach across the University.
- Developing the risk tool – in the final stages of the procurement process, taking it to the IT Strategy Group in October for final approval. The preferred supplier was able to start working with us immediately.
- Risk management policy – this would need to dovetail with the risk register and the two would launch together as a package.
- How to report to Council – The business intelligence element was high on the agenda. Working with the BI team in UCS to develop and ensure that the team can obtain high quality business analytics from the digital system.

11. Horizon Funding (AUD/22/56)

11.1 Charlotte Murphy presented a paper detailing plans for Horizon Europe Funding and mitigating the ongoing impacts of Brexit. Horizon Europe reflected 20% of the existing UoE research portfolio. It looked likely that there would be no deal to assure ongoing inclusion in Horizon Europe. There was a group looking at risks and mitigations. There was a need to ensure that fellowships could be supported. The key issue was that, without Horizon, the UK was only able to collaborate in European research projects, not to lead them. Reputation and career success relied on leading such projects. There was evidence of researchers beginning to leave to go overseas so that they could be involved in research in a leading capacity. Remuneration would not resolve this issue, as reputation and career future were the driving factors.

11.2 The Registrar and Secretary confirmed that much work had been completed in refocusing research groups since Brexit to prepare for the restructure of research projects and funding. UKRI were providing a guarantee for European funding, however this would require a re-write and resubmission of proposals, which was an extremely resource intensive.

12. Draft Annual Audit Committee Report for 2021-22(AUD/22/57)

12.1 It was reported that the annual report of the Audit Committee was no longer required by the regulator as a compliance document, but was still completed as an assurance report to the Vice-Chancellor and Council. It set out the activity of Audit Committee over the academic year. It was noted that this was currently a draft document, with the final version to be presented at the October meeting prior to submission to Council. It was also noted that the report needed to be signed by the Chair of Audit Committee in position for the academic year 2021-22.

12.2 The report covered the business of Audit Committee in 2021-22, including audit effectiveness, financial control, risk management, internal audit control, external audit, compliance reporting, modern slavery act, the receipt of regular reports from the Vice-Chancellor, IT systems and the overall opinion of the Committee.

12.3 The Committee requested that the overall opinion of internal auditors in their own annual report be included in the report.

ACTION – the PWC opinion to be included in the annual report of Audit Committee (Chris Lindsay)

13. TRAC Return (AUD/22/58)

13.1 The University was moving to a new supplier for data processing, which should be more straightforward to use. Of note within the report:

- The University was closing the gap on publicly funded teaching cost recovery
- The non-publicly funded teaching cost recovery gap had increased; however, there had been investment in teaching provision.
- Research income had improved and was expected to continue to do so.
- fEC rates had improved, and should translate into higher research prices and increased future income, so this should continue to improve.

13.2 The Committee noted that regarding publicly funded teaching, the University's peers had reversed the trend, whereas Exeter had stabilised, and subsequently asked for clarification. A comment regarding future spend decrease due to off campus numbers increasing was also queried. The Chief Financial Officer confirmed that publicly funded teaching had been impacted by a higher exposure to home students. It was not known how other institutions had improved in this area, as the detail beneath the data was not shared due to commercial sensitivity. The off-campus element relates to early stage plans to expand online learning, which would have an impact on the cost base. Exeter also invested more heavily in supporting students through the pandemic. Although costly, this was now paying dividends via the NSS results.

DECISION – the report was agreed with a recommendation of compliance with requirements.

14. Pensions Update (AUD/22/59)

- 14.1 It was noted that there is nothing new to report. It was acknowledged that the Unions were looking to ballot for strike action, and there was new valuation pending

