

Minutes of the meeting of the Inspire Education Group (IEG) Audit Committee (AC) held at 1630 hrs on 20 September 2022 in the Boardroom, Stamford College.

<b>Present</b>	Martin Ballard (Chair)	Mark Haydon	Tony Keeling	Qun Yang
<b>In Attendance</b>	Joanne Ulyatt (Governance Director)	Lee Glover (Haines Watts)	Louise Perry (CFO)	Rachel Nicholls (CEO)

**1/22 ELIGIBILITY, QUORUM, DECLARATION INTERESTS AND MEMBERS**

No notice had been received of any Member becoming ineligible to hold office, the meeting was quorate and there had been no unregistered interests declared.

**2/22 STANDING ITEMS**

- a. There were no requests for urgent business.
- b. Minutes of the last meetings: Minutes from 20.06.22 were confirmed for signature. **(Action 1)**
- c. Actions from the 20.06.22 meeting:

<b>See referenced minute for full action.</b>		<b>Resp</b>
<b>Action 1</b>	23/21. Last Minutes (02.12.21) confirmed for signature	<b>Complete</b>
<b>Action 2</b>	24/21a. Amendments to IAS Plan approved.	
<b>Action 3</b>	24/21f. Assignment Briefs agreed.	
<b>Action 4</b>	25/21. External Audit Plan recommended to the Corporation.	
<b>Action 5</b>	28/21. Students to be included in IT Asset fraud.	
<b>Action 6</b>	29/21. Cyber related issues to both FRC and AC.	
<b>Action 7</b>	30/21. Gift value (Hotel Chocolat) to be added.	

**The information was received and noted;  
 Actions had been noted. (Action Register at end of document).**

**3/22 APPOINTMENT OF CHAIR**

A Chair had not been appointed by the Corporation Board at the last meeting of the previous academic year as per the Terms of Reference; Martin Ballard was elected to act as Chair for the meeting.

**The Committee recommend the appointment of Martin Ballard as Chair of the Audit Committee to the IEG Corporation Board for approval (Action 2)  
 Actions had been noted. (Action Register at end of document).**

**4/22 GIFTS & HOSPITALITY REGISTER ANNUAL REVIEW**

The Gifts & Hospitality Register annual review was presented to the committee. It was explained that Protocol are the organisation that manage the QRS service.

**The information was received and noted.**

**5/22 PROCUREMENT REPORT**

The Procurement Report was discussed and considered.

- a. The pressure of rising inflation over the last year on transport, utilities and food are notable at the moment. An awful lot of inflation measures were factored into the budget for this year but whether it is enough remains to be seen.
- b. Exam fees have seen a 5% increase and volume and cost implications were discussed in light of the strong intake which presents issues with increased exam fees. Exam boards apply a flat rate increase and IEG does not currently benefit from economies of scale; it is felt that the Group is getting to be a sizeable enough player that once fully operating as

one function across the group exam boards could then be approached with a view to securing some discounts.

- c. It was confirmed that fortunately the Group did not suffer from the delayed BTECs with Pearson.
- d. The procurement of a preferred construction partner for the Centre for Green Technology was discussed; the contract will be managed directly with Kier not through a sub-contract arrangement. A number of references have been taken as well as conversations with Kier to address some mixed reviews identified and confirmed that it was agreed there would definitely be a Clerk of Works onsite to keep things on track. A contract has not yet been entered into so there are further conversations to be had regarding assurance of quality.
- e. There have been quite a lot of tenders as listed in section 3 of the report, however it is becoming increasingly difficult to secure three quotes for many jobs, so in some cases single supplier justification has had to be employed. The single source justification for the replacement of the main boiler at Stamford College was discussed; no other quotes were forthcoming due to the complexity of the system. The fact that Sleaford Boiler Services already knew the system made them able to quote, but it was not an average installation and despite going out to tender twice, no other company would quote as no capacity, but the work had to be done as it was broken, not just a routine replacement. It was noted that the water pipes now also need replacing.
- f. Governors questioned whether IEG is under fixed arrangements for energy costs in this period; none of the renewals are imminent. LP has submitted an energy return for DfE including renewal dates of March 2024 for electricity and October 2023 for gas. There is a lot of push for the sector to be supported in terms of additional support for energy costs being made through AoC, and RN was part of an Energy Forum this week in this regard.
- g. Governors queried who the gas supply is provided through; LP was unsure but explained that it would have been procured through a government pre-tendered framework and the pre-requisites of that framework would not attract smaller companies.
- h. Top 20 suppliers were noted, with the top 8 or 9 accounting for circa 60%; governors are satisfied that everything in the tail of the residual is low risk.

**The information was received and noted.**

## **6/22 CYBER SECURITY REPORT**

- a. The report was presented which reviewed the previous year. The Cyber Security report was previously reported to the Finance & Resources Committee but having reviewed the statutory documents, and in consultation with the Governance Director, it was decided it was better placed with Audit Committee. Any issues will be reported to both committees in light of the potential impacts, both financial and on the control environment.
- b. Levels of attempted attacks are down currently. The Group utilises a 24/7 managed threats service that constantly monitors ingoing/outgoing traffic.
- c. Governors suggested adding pop-ups to the desktop Home page from time to time to remind staff to be vigilant to phishing attempts. It was noted that Cyber Awareness is part of both the staff induction process and the mandatory training package.

**The information was received and noted.**

## **7/22 INTERNAL AUDIT**

### **Draft Internal Strategy 2022/25**

- a. Key points in the Strategy Document were highlighted, which had been updated in conjunction with meetings with management and MB.
- b. The 3 year strategy was presented but would be continually reviewed along the way to ensure it remains fit for purpose and meets needs.
- c. Allocation of days was discussed, in particular for Marketing (inc. Social Media) where it was felt that 6 days at this time may be a little too much; there is a slightly scattergun approach currently across the key platforms used and there is a need for a planned approach that sits behind the use of social media as to what/how/when to communicate which could be audited against, but this is still a work in progress. RN feels that an audit now would only flag up what is already known and conversations with the Executive Team concluded that it would be better placed in 6 months' time in order that some more work could be done around this to get some data and realise the impact of things that have already been done. It was suggested that conversely it could be an ideal time to review by IA in terms of the fact that it is an area known to need improvement and could help with picking out and sharing best practice from other providers and as a critical friend, but

perhaps only 3 days would be needed rather than delving too deep too early. This topic was linked to an internal/external communications thread discussed with Finance & Resources Committee and the possibility of introducing a role around communications. It was agreed that this will be given further thought, and that the 6 days proposed could possibly be split to focus 3 days on marketing/social media to see if things are pointing in the right direction, with the remaining 3 days being redirected to look at carbon cost. Whilst governors appreciate that an environmental policy is in progress, they suggested that a few days spent on carbon liability across both estates could be a good use of time. It has, however, been extremely challenging for the last couple of years to obtain any good baseline data in this regard. It was noted that there is a potential plan in the background to tender for an Environmental Consultant who would write a brief for an environmental audit that can then be used to submit bids for funding. There is a limit to what can be achieved from a renewables perspective with the 50-60 year old Peterborough estate.

**Executive Team to consider some refinements to the Internal Audit Plan (Action 3)**

**The information was received and noted.**

**Actions had been noted.** (Register at end of document).

**2021/22 Internal Audit Annual Report**

- a. A draft report was shared as some management responses are awaited from UCP, but there is nothing to indicate anything other than a positive outcome.

**Review of Block 3 Reports**

- b. Block 3 reports were presented and questions invited.
- c. Information Governance Health Check provided substantial assurance.
- d. Commercial Activities (Income Diversification) provided limited assurance as a lack of strategy meant there is nothing defined as to what the Group wants to achieve. Recommendations were made to put in place a strategy document, action plans and KPIs that could then be tracked and monitored. It was noted that the Finance & Resources Committee have already requested business plans. Work is underway to develop a format that can then be used on an annual cycle. The Group Manager of Commercial has been given the recommendations to pick up and move forward with professionalising all parts of the commercial businesses, but with the caveat noted that there has to be a balance of time, recognising the proportionality of the small income that it provides but against the importance of the surplus generated. It is right to continue to look at growth, turnover and profitability.
- e. Three minor areas of improvement were noted as a result of the Payroll review which delivered substantial assurance, and all of which are now in hand. Succession planning is underway in relation to the role of Payroll Manager.
- f. The Subcontracting Certification review provided a clean bill of health with no recommendations. All previous recommendations had been addressed since last year. IEG are very thorough in their approach therefore the standard is not a big change to accommodate. IA input this year will be to validate the self-assessment to send off to the ESFA and it is then up to them to award the standard or not; if achieved it is valid for three years.

**The information was received and noted.**

**8/22 EDUCATION & SKILLS FUNDING AGENCY AUDIT UPDATE**

- a. An update was provided on the ESFA Audit that commenced last year but has not yet concluded. The indicated clawback figure was noted which represents funding incorrectly claimed over a 4 year period from 2017/18. A meeting with MIS is scheduled tomorrow to go through line by line to see if any can be challenged. This issue has been exacerbated by dramatic changes to funding rules and processes over the last 5 years. Financial provision of £350k was put in place previously and has now been upped to £500k in December. There is a risk of not getting accounts approved by the ESFA 31<sup>st</sup> December deadline, but since it is the ESFAs audit and it is their deadline this is a minor risk. MIS have reviewed all processes to ensure, as far as possible, that the Group will not fall foul of the rules again. Audit processes have also now changed; for the majority of the time that these errors were potentially being made there was no funding income audit, however External Auditors do now complete one. IEG underwent one of these audits last September and these issues were not picked up. It was noted that audit rules around

Apprenticeships are unbelievably complex and there is a risk of providers becoming disenfranchised to proceed with Apprenticeships going forward.

- b. Now that the errors and the clawback they want to take are known, the EDBD and MIS will work hard to mitigate the value down and then a piece of work will be undertaken to understand why External Auditors did not pick up on it, which is likely because they only undertake a materiality check which is only sampling not a 100% compliance check as this undertaking by the ESFA has been.
- c. Governors questioned whether another level of audit is required if the External Auditors cannot solely be relied upon. With all ESFA rules open to interpretation, whatever interpretation was made by the college was always in good faith. Ultimately, training has been delivered and learners have achieved. It was discussed as to whether audit arrangements with IAs/EAs could reasonably have been expected to spot this and also whether, given the materiality of the value of the clawback, it should be a legal question. Raising this with MPs was also discussed since apprenticeships are central to the levelling up agenda. This will be left to progress whilst the analysis is completed and then a further discussion is to be had once the final outcome is known. Financial provision has been made and the risk is explicit in the strategic financial plan. The Chair of the Corporation Board has been kept abreast of the position.
- d. A further update will be provided at the Corporation Board meeting and at the next Audit Committee.

**The information was received and noted.**

## **9/22 RISK MANAGEMENT**

### **Risk Management Report**

- a. The Board Assurance Framework report was presented. It was noted that the cost of heating was not recorded and probably should be in terms of holistic sustainability risks facing the estate.
- b. Governors discussed the topic of sustainability since it is the 'S' of Inspire, but they felt there is a lack of evidence that could undermine corporate values. It was noted that sustainability is embedded in many of the risks flagged. IEG also has a Green Plan published on the website but it is currently only a 1 year plan and a long term strategy on carbon and its reduction will be created as part of the sustainable plan by the Green Group when they meet again. IEG also has Green Champions in place and a whole channel on the intranet dedicated to Green news. Baseline data has now been ascertained through IEG's publishing of a streamlined Carbon and Energy Report for the last 2 years, against which the Group can now look to introduce carbon reduction targets. It is difficult to quantify the risk of not meeting reduction in 10-15-20 years' time when there are no legal requirements, etc. at this time. Important items in mind are transport and direct costs/carbon usage which should be front and centre. LP is also looking at how to build sustainability and carbon reduction into the Estates Strategy master-planning, although this will always be limited by availability of finance. Work is ongoing.

### **Strategic & Contingency Risk Registers**

- c. A slightly revised format was presented this year which is much sharper. This will be covered at Corporation Board in October. There is now a comparison year on year, gap to risk target and action plan at the top rather than the bottom of the report to focus the eye on managing risks.
- d. The 4Risk system versus use of spreadsheets was mentioned; spreadsheets have been used for the past couple of years but LP/RN are meeting with providers of 4Risk next week because they can now accommodate BAF in the software. The new version will be reviewed next week and a decision will then be made as to how to proceed. Governors noted that if the spreadsheets are set up well and working then that is fine. MB happy to review also.
- e. Staffing issue is highlighted front and centre because it is the single biggest risk. A huge piece of work has been done on pay and equity; some immediate actions were taken over summer in agreement with the Chair and Vice Chair of the Corporation Board. Whilst most colleges are approving flat rate increases as in previous years, the takeaway point from the last Corporation Board meeting was for the Executive Team to be brave and think differently where required; they have looked at the budget around pay to consider how to address issues in low pay areas and priority areas, almost job by job, with regular communications sent to staff. A proposal on pay will be taken to Corporation Board in October. There is more work to be done on development and talent identification next.

## **Fraud Report**

The Fraud Report was presented. Quiet period over summer.

**The information was received and noted.**

**There being no items that they wished to raise at agenda item 13, the Audit Firm representatives left the meeting.**

## **10/22 POLICY REVIEWS**

Proposed changes to policies were reviewed.

**Proposed amendments to the Risk Management Policy, Anti-Bribery Policy, Anti-Fraud Policy, and the Modern Slavery Policy were recommended to the Corporation Board for approval. (Action 4)**

## **11/22 URGENT BUSINESS**

None requested.

## **12/22 DATE OF NEXT MEETING: TUESDAY 29 NOVEMBER 2022**

## **13/22 ITEMS AUDITORS WISH TO RAISE**

None.

## **ACTION REGISTER**

<b>See referenced minute for full action.</b>		<b>Resp</b>	<b>Date</b>
<b>Action 1</b>	2/22b. Last Minutes (20.06.22) confirmed for signature	<b>GD</b>	<b>w.i.e</b>
<b>Action 2</b>	3/22 Appointment of Chair recommended to IEG Corporation Board	<b>GD</b>	<b>18.10.22</b>
<b>Action 3</b>	7/22c Exec Team to review Audit Plan re Marketing/Social Media	<b>Exec</b>	<b>w.i.e.</b>
<b>Action 4</b>	10/22 Amendments to policies recommended to Board for approval	<b>Board</b>	<b>18.10..22</b>