



— Inspire Education Group —

IEG AUDIT COMMITTEE

28 November 2023

17:00 - 18:00

Remote

ATTENDANCE

PRESENT

Claire Sutherland (RSM)
Edward Thomas (COO)
Gillian Beasley
Joanne Ulyatt (Governance Director)
Lee Glover (Validera)
Louise Perry (CFO)
Martin Ballard
Rachel Nicholls (CEO)
Tony Keeling (Chair)

ABSENT

Qun Yang



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13. WELCOME

Standing item

Speaker: Chair

Time: 17:00

- a. Apologies for absence: Apologies were as noted.
- b. Eligibility, quorum, interest and hospitality disclosure: 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.
- c. Requests for urgent business: None

14. MINUTES

Decision item

Speaker: Chair

Time: 17:02

- a. Minutes of last meeting (19.09.2023) were confirmed for signature. **(ACTION 7)**
- b. Matters arising from the minutes: There were no matters arising
- c. Actions from the minutes: Most actions were complete. Actions 3 and 4 as follows were ongoing:

Action 3 6/23d(q) COO and CFO to note at next meeting when a sustainability plan linking to the overall corporate strategy is likely to be written, and LG to consider what an audit description might look like and when they would propose to carry it out in order to incorporate it into the forward plan.

Ongoing

Action 4 8/23c Annual review of GDPR and FoI to be updated to note whether all requests were completed within mandated timescales. **Ongoing**

15. EXTERNAL AUDIT

Decision item

Speaker: RSM/CFO

Time: 17:05

External Audit (UCP):

a. Draft Financial Statements

The UCP draft accounts were presented with numbers in line with expectation and no adjustments. A small surplus of £21k was reported. Statutory obligations were fulfilled without caveat. There is potentially one reclassification for UCP to move an item from one line to another which will be finalised this week ahead of all accounts being submitted for Board approval on 13 December.

External Audit (IEG):

b. Draft Financial Statements

Draft IEG accounts were presented but figures were not yet finalised; it was noted that numbers highlighted in yellow will change as these relate to last year's figures. College accounts, UCP and QRS have all been audited but the consolidation is not quite complete. The focus to date has been on ensuring college numbers are correct prior to consolidating. Once adjustments are complete there is still expected to be a significant surplus and good financial health.

c. Regularity Self-Assessment Questionnaire

This had been presented to the Corporation Board on 31 October 2023.



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External Auditor's Report:

d. IEG Audit Findings Report

(i) The Audit Findings Report was noted and key points were flagged. The Executive Summary summarises work still to be completed and whilst it appears a long list, they are small items. It is anticipated that an unmodified audit opinion will be given.

- Income Recognition included significant work on MIS data and eligibility for funding. Sample sizes were set out. There was no indication that income had been materially misstated. Recommendations were noted.
 - Management override of internal controls undertook a number of procedures to look for and address risk, including data analytics techniques and risk profiling. Nothing giving any cause for concern was flagged and no contentious transactions were noted. There was only one slightly unusual transaction with the transfer of the UCP building which was expected.
 - Local Government Pension Schemes are in the main showing asset positions this year.
 - Work on the Going Concern aspect is in progress; further information is required but no issues are anticipated.
 - Regularity and Reclassification to public sector; there are a number of new tests to be undertaken this year regarding regularity which are well underway but they are awaiting some further details regarding severance pay. No breaches are anticipated.
 - Accommodation Strategy work has been performed as planned. There were discussions last year around funding for the ongoing CGT project. Consideration has been given to if capitalisation of costs incurred to date is appropriate, and following review this was deemed appropriate and auditors have no further comments to raise. £60k of costs initially capitalised have been released to I&E in the year as a result of the termination of the Kier contract.
 - Transfer of UCP building - it was identified that the asset had not been depreciated in year resulting in an understatement in the region of £202k which has been proposed as an adjustment. A control point was also raised to ensure the cost of the asset is appropriately split within the fixed asset register and depreciated over the different useful economic lives.
 - Enhanced pension provisions; the AoC spreadsheet had not been updated to calculate the closing liability. This has now been implemented resulting in a potential adjustment of £93k.
 - HE Bursary; an amount of £100k had been released from the HE Bursary and taken to the I&E relating to old funds from NCS. There is no audit evidence to support the basis of release so from an audit perspective they are proposing that the liability is reintroduced into the balance sheet. Whilst this is not material they do need to recommend it.
 - Recommendations on controls; only one red recommendation reported relating to the transfer of funds from the APT bank account to the IEG accounts which had not yet appeared in the account. The Finance team are working hard to resolve this with the bank but the lack of key relationship managers with the bank is hindering progress. If not resolved soon the CFO intends to raise this with the banking ombudsman.
- (ii) Governors noted a challenging year with reclassification and many changes to accommodate but they feel that the team are on top of it. Given a significant change in context to deal they were congratulated on receiving only one red recommendation.
- (iii) Auditors discussed the report with the CFO earlier today and the draft management responses will be added before the report comes to Board.
- (iv) The CFO noted that she was disappointed with a couple of findings that should have been resolved in year and will take this up with the team to ensure lessons are learned going forward.
- (v) Noting page 121 of the pack which offers a summary in numerical terms of identified adjustments and the impact of the adjustments on income, a number of reclassification impacts were highlighted and the net adjustment stated.



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External Audit (QRS):

e. Draft Financial Statements

The draft QRS accounts were presented. This was the simplest set and all parties were content.

All accounts will be presented to the Corporation Board on 13 December.

The information was received and noted.

CS left the meeting.

16. INTERNAL AUDIT REPORTS

Decision item

Speaker: Validera/CFO

Time: 17:15

Internal Audit:

a. Phase 3 Reports

- **Follow Up Report**

The Follow Up Report provided an opinion of Adequate, though LG noted that on reflection this was perhaps a little harsh since it was on the basis of only one recommendation being incorrectly graded.

b. 2023/24 Draft Audit Briefs

Audit Briefs were presented in the usual format. These have been reviewed internally with no significant changes made. Clarification was requested relating to the Work Experience brief as to whether this covers just work experience or industrial placements too; LG confirmed that it will cover both in the sense that whilst the duration etc. is different, the core controls exercised over the placements will be similar.

c. 2022/23 UCP Audit Committee Work

The UCP IA Reports, Annual Report and Summary Reports were presented demonstrating good results.

Monitoring:

d. Audit Recommendations Tracker

The Recommendations Tracker was noted. IAs are content that the subcontracting recommendations are drawing to a close; in the next Follow Up LG will review completed items to ensure that they have been completed as indicated. Most recommendations relating to the CPCA and ESFA Funding Audit are in hand if not already completed. LG noted that once completed and governors have seen that a recommendation has been completed on the tracker it can then drop off and it will be picked up in the follow up the following year; this will allow Exec to clear items down as they are complete for easier review. The Tracker exhibits some very good progress being made.

The information was received and noted.

The Committee **approved** the Internal Audit Briefs 2023/24 presented.

17. IEG AUDIT COMMITTEE ANNUAL REPORT

Decision item

Speaker: GD/CFO

Time: 17:25

(i) Governors noted the report, commenting that it was succinct and clear.



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(ii) GD to update to include the change of Chair in December 2022 (**ACTION 8**)

The information was received and noted. Actions were recorded on the Action Tracker. The Committee **approved** the Audit Committee Annual Report for recommendation to the Corporation Board.

18. RISK REPORT

Discussion item

Speaker: CFO

Time: 17:30

a. Board Assurance Framework

b. Contingency Risk Register

- (i) The risk position had remained largely static as it should be since much of the risk is externally driven and therefore is not fast moving. Enrolment risk reduced as a result of strong recruitment numbers; this is always cyclical due to the level of uncertainty each year. Two new risks have been added to cover AI and also the Centre of Green Technology, though this also has its own project risk register with GANT chart, it was added to capture an overall risk around the build now construction has commenced.
- (ii) The HE score was decreased on the operational risk register but it was left on the strategic risk register because their income performance is contingent on IEG securing further Adult Learning Loan allocation in year. The Exec team have been in discussion with the ESFA for months but if more allocation is not secured then UCP will be unable to recruit enough numbers to meet the targets. Since this could curtail HE numbers this year this has therefore been kept as a strategic risk.
- (iii) Governors praised the addition of the AI risk, and also discussed opportunities it could bring. The Committee are keen for governors to receive material on areas where opportunities could be exploited; the CEO and GD have recently discussed this with the Chair of the Corporation Board in terms of Governor Development Event planning and there is appetite to build this into either an upcoming event or as some reading material to direct governors to. There are ongoing conversations around the colleges relating to changes to parts of the business and risks/opportunities associated. A briefing when the team are in a position of understanding will be provided to governors in order to gain their input.
- (iv) The Israel/Gaza conflict and the Group's response was discussed. There are some tensions across the city overall but within the colleges there has been only one incident at Peterborough College regarding some comments left in a book in the Prayer Room; the Chaplain intervened and spoke with the students concerned. There are students with relatives in Israel and Palestine so staff are acutely aware of sensitivities around this issue. No corporate communications have been issued, choosing instead to engage the Chaplain in issuing information around peace and being mindful of others. ECG representatives were consulted to get a sense of what is being seen/heard in corridors and around the campuses; it is felt that there are only small scale rumblings and where they are arising there are open discussions. A watching brief is being kept on this.

The information was received and noted.



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19. MODERN SLAVERY ANNUAL STATEMENT - DEFERRED TO NEXT MEETING

Decision item Speaker: CFO Time: 17:35

Paper unavailable - deferred to next meeting

This item was deferred to the next meeting as the statement was not available in time.

20. FRAUD REPORT

Information item Speaker: CFO Time: 17:40

- (i) The report was presented covering the period from 1 August to 31 October 2023.
- (ii) Low level theft for trivial amounts has seen an increase this year, likely due to increased student numbers and investment in CCTV for improved monitoring. Incident levels are relatively low when considered in the context of the current contagion of shoplifting due to the cost of living crisis. Actions taken were noted; all students involved have received formal warnings.

The information was received and noted.

21. CYBER SECURITY REPORT

Decision item Speaker: CFO Time: 17:45

- (i) Training continues to strengthen messages to staff around the cyber security threats and mitigate risks; latest figures report improvements since the paper was published.
- (ii) Multi-Factor Authentication is to be implemented on Google accounts; IT Services are currently completing functional testing for the implementation.
- (iii) Governors noted a good report and that it was great to see that systems are working effectively with the volume of threats being viewed and tracked. The screenshot provided from the website is a useful way to visually alert staff to the dangers.

The information was received and noted.

22. PROCUREMENT REPORT

Information item Speaker: CFO Time: 17:50

- (i) The report was presented, noting the major suppliers.
- (ii) Governors would be interested to review procurement now versus maybe a year or two years ago and feel that the report lacks detail around this comparison piece. Increased grants have led to huge levels of procurement, therefore against this volume of procurement the number of Single Supplier Justifications where the Group is struggling to secure three quotes is relatively low. Governors suggested that adding the percentages to



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the report would be a useful addition. LP to review the report in light of these suggested improvements. **(ACTION 9)**

- (iii) The Committee noted that capital expenditure has grown exponentially in the preceding 12 to 18 months and enquired as to whether the human resource is in place to deal with this growth. There is only one member of staff currently and recent recruitment activity that had identified a potential new person unfortunately fell through, however it is an area that is easy to contract out if required, and the Group is also a member of a procurement services consortium so there is a facility to buy in from professional sector experienced procurement experts. If the growth continues next year at a similar rate then this is an area that may need to be reconsidered again.
- (iv) The rigour around the SSJ approval process was discussed against the wider procurement activity and reassurance was given; governors and the CEO are comfortable that the CFO has a very good handle on this activity.

The information was received and noted. Actions were recorded on the Action Tracker.

23. ANNUAL REVIEW OF CONFIDENTIAL MINUTES 2022/23

Decision item Speaker: GD Time: 17:55

- (i) The report was received and noted.
- (ii) Governors **approved** the recommendations made.

The information was received and noted.

24. RECORD OF SEALINGS 2022/23

Speaker: GD Time: 18:00

- (i) The report was noted.
- (ii) Governors were content with the summary.

The information was received and noted.

25. URGENT BUSINESS (ITEM 13C REFERS)

Standing item Speaker: Chair Time: 18:05

Noe requested.

26. DATE OF NEXT MEETING: THURSDAY 30 MARCH 2023 (REMOTE)

Information item Speaker: Chair Time: 18:05



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All business being concluded, the meeting closed at 17:57.

27. ITEMS AUDITORS WISH TO RAISE WITH GOVERNORS WITHOUT STAFF PRESENT

Information item

Speaker: Auditors

Time: 18:05

None requested.