



IEG AUDIT COMMITTEE

June 18, 2024

5:30 PM - 7:00 PM

Remote - Google Meet link sent separately

ATTENDANCE

PRESENT

Tony Keeling (Chair)
Gemma Roger
Gillian Beasley
Martin Ballard
Rachel Nicholls (CEO)

IN ATTENDANCE

Joanne Ulyatt (Governance Director)
Louise Perry (Chief Financial Officer)
Ed Thomas (Chief Operating Officer)
Claire Sutherland (RSM)
Lee Glover (Validera)

APOLOGIES

Qun Yang



Inspire Education Group

38. WELCOME

Standing item

Speaker: Chair

Time: 17:30

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.

39. MINUTES

Decision item

Speaker: Chair

Time: 17:35

a. Minutes of last meeting; Minutes of last meeting (26.03.2024) were confirmed for electronic signature. **(ACTION 12)**

b. Matters arising from the minutes; There were no matters arising.

c. Actions from the minutes; All actions were complete.

40. INTERNAL AUDIT REPORTS

Decision item

Speaker: Validera/CFO

Time: 17:40

Internal Audit:

- IA Progress Report
- Income Recognition Report

Monitoring:

- IEG Internal Audit Recommendations Tracker

a. Progress to date was reported, with only one final report to present but the majority of the other reviews in progress, and some more significantly underway since the report was published. The auditors are on track to complete all of the audits in June/July with the exception of Strategy & Business Planning which is scheduled for completion in July/August.

b. Governors noted a lot of progress had been made despite a disappointing number of final reports and sought the confidence of the Executive Team that the work would be complete on time; the CFO agreed that the update was a true reflection of the position and that the audits were significantly underway. The remainder of the final reports will be presented at the September meeting.

c. The Income - Budget, Recognition and Monitoring Audit had not materially changed since the draft version that went to the Corporation Board in May, but included updated management comments which were more comprehensive since it was last discussed. All of the actions are either in progress or complete, and the follow up audit will test all of these actions. Significant progress has been made, both in the wider understanding of funding terms across the teams involved, as well as work honing in on systems and processes for forecasting; a huge amount of work has been complete.



— Inspire Education Group —

d. Governors noted that the work relates quite specifically to the Apprenticeship funding issue encountered and queried as to whether any of the recommendations and actions could be adapted more widely, such as spreadsheet verifications. Apprenticeship funding is so complex and has a number of moving parts, whereas the other funding streams are much more straightforward and easier to work with. Validations are already built into spreadsheets, eg. conditional format cells are used to ensure checks and balances are in place, so there is a wider application of those going forward. The feedback and recommendations, and the resulting actions have been very positive for the teams.

e. Governors indicated that they would appreciate assurance that progress has been made on these actions; the follow up audit in the autumn will ensure that these actions have been embedded and that all of the work that management have committed to delivering is complete, and the auditors will ensure that substantive work is done on this next year to ensure it is all in order.

f. There have been significant changes within the Apprenticeships team over the last 12 months and assurance was given that the team have grasped the lessons learned to take forward the improvements, including an understanding of each other's roles as well as their own input into the process; a number of pieces of work have been done to embed this as well as process/performance/systems meetings to ensure the understanding is secured going forward.

g. It was further noted that the complexity of Apprenticeship funding is staggering; the CEO has been in conversations with the ESFA and lobbies at every opportunity in this regard. The FE Commissioner has also set up a working group to carry out a root and branch review of Apprenticeship provision because it is well known that this is one of the biggest issues for the sector, and consequently, uptake on delivering these programmes is down due to the complexity issues of the funding model and poor achievement rates. The AoC also continue to lobby government to resolve these issues. These avenues to share the experience are welcomed, and the CEO and CFO contribute to these conversations at every opportunity.

h. The Executive Team were commended on their thorough and comprehensive work, both in responding to the issue initially, and in engaging the IAs to ensure that blind spots were recognised and addressed, which exhibits the excellent culture of leadership at IEG.

i. The Internal Audit Recommendations Tracker was presented; everything is in hand in terms of closing all of the recommendations down. New recommendations from the current ongoing audits will be added into the tracker on completion.

j. There was one red finding within the external audit findings relating to the transfer of funds from the APT bank account which is not yet resolved; the Finance team are actively working on this to close it down by year end.

k. Governors queried the reporting of audit recommendations to the Corporation Board as they do not feel that the current reporting within the Governor Dashboard is reflecting the success of progress made with recommendations, and it is therefore not presenting it as the good news story that it should be; the CFO will update the presentation to demonstrate how many recommendations have been closed down in year to provide greater context as to how many have been resolved to governor satisfaction, subject to testing in the follow up audit. **(ACTION 13)**

41. EXTERNAL AUDIT

Speaker: RSM

Time: 17:55

- Financial Statements Audit Planning 2023/24
- FE Emerging Issues - Summer 2024



— Inspire Education Group —

- a. The External Audit Plan for the forthcoming year was presented. Meetings between the EAs and the CFO and Group Director of Finance had been undertaken to inform the planned approach and update on activities in year, which is reflected in the plan.
- b. Planned materiality was discussed and had been updated since the report was written, and it is important to note that materiality is further revised before any work is undertaken once the numbers are received, based on a sliding scale.
- c. Planned risks were highlighted and are very similar to the prior year, which is expected since the operations of the organisation do not fundamentally change, therefore they are just tweaked slightly and adapted to the current position.
- d. There was additional narrative around reclassification as this is year 2 and there is a slightly more refined framework to work to; the audit will look at the loan agreement to ensure it is all approved in line with framework, and review any severance payments to ensure any approval requirements were met.
- e. An Emerging Issues document had been provided for information. Key items relate to the impact of changes to UK GAAP FRS 102, with the bulk of the standard retaining the expected effective date of accounting periods commencing on or after 1 January 2026, allowing time to plan for the changes, however new disclosure requirements about supplier finance arrangements must be provided for periods commencing on or after 1 January 2025.
- f. An 8.9% increase in fees is linked to inflation indices and increased regularity work which is not expected to reduce. A clear rationale for the increase was provided which included an increase in scope due to increased work from reclassification and the requirement to audit funding introduced 2 years ago, and the organisation is increasing in size every year; this provides sufficient explanation for the Board.
- g. The new College Financial Handbook was also shared. RN noted that at a recent webinar about the new Handbook, presenters had referred to a similar handbook for the academy sector that covers many of the same things, however, Academy Trusts have typically been far more bullish around these regulations than the college sector, and it was suggested that Boards need to be confident in the decisions they make and not seek approval where they are content with their own due diligence; this topic might be a theme for a future Governor Development Event. Whilst the IEG team must work with auditors to ensure the Is are dotted and the Ts crossed, there must also be a level of pragmatism to ensure that we can work to a sensible timeline. The sector also needs to work together to influence the next version of the Handbook because in the current format it is not delivering what the sector needs and includes all sorts of complexities and grey areas that need to be ironed out.
- h. The risk around the Centre for Green Technology being brought on to the audit plan and the balance sheet was discussed; the risk currently is around the valuation of the work in progress and in terms of future operating costs. The risk around CGT has been on the audit plan for a couple of years now and has changed over time; initially because some costs had been incurred and there was uncertainty as to whether the project would progress which would impact as to whether those costs should be carried on the balance sheet or not, however, auditors remained content that IEG would secure funding to proceed. The current year ahead will look at cut offs for expenditure and classification of expenditure, with consideration as to which pots it goes into, primarily for the fixed assets because this will have an impact on future depreciation that will be charged. Different elements of the building will need to be depreciated at different rates due to having different economic lives. Governors were assured that this is all wrapped up in the plan. In the Going Concern piece of work at the end of the audit they will expect to see an element of costs for the building in this year's, and future, financial plans.

42. RISK MANAGEMENT REPORT



— Inspire Education Group —

Discussion item

Speaker: CFO

Time: 18:05

- Board Assurance Framework
- Review of Contingency Risk Registers

- a. The report remains reasonably static since the iteration reviewed at the Corporation Board meeting in May.
- b. Action plans have been updated and changes are displayed in red. The action plans are very active, and are updated monthly.
- c. A thorough and robust Risk Management Committee meeting reviewed the Contingency Risk Register, with significant updates made, resulting in a very robust and peer-reviewed report.
- d. There were no scoring changes to the strategic risks.
- e. Governors noted that the risk titles had been reviewed as requested to ensure they were more meaningful, resulting in an excellent report that was clear and easy to read.

43. PROCUREMENT REPORT

Information item

Speaker: CFO

Time: 18:20

- a. A comprehensive report was provided.
- b. Transport had been re-tendered following a full transport review which proposed removal of 14 out of 30 routes. The review was undertaken against the public transport offer and where suitable alternatives were in place, the college routes have been removed. Background was provided regarding the history pre-merger when SC and PC were competing and additional college-subsidised bus routes were used to attract students. Since merger the need for this cost to be incurred has now been eradicated.
- c. Governors noted the significant work in undertaking this large and comprehensive tender.
- d. The AEB tender was highlighted; this is a big tender, but significantly smaller than in the prior year.
- e. Single Supplier Justifications were discussed; the CFO has been making progress on the report following feedback from governors, however, there is more work to be done regarding comparators, and work is ongoing to incorporate this. In terms of areas of expenditure around T Levels, much of the equipment is very prescriptive and with limited suppliers. Governors were content that SSJs are being managed robustly, recognising that it can be difficult to achieve three quotes, simply due to the nature of the economic environment at the moment.

44. CYBER SECURITY REPORT

Decision item

Speaker: COO

Time: 18:30

- a. Key points from the report were highlighted to make governors aware of the threats within the sector. Despite a number of attacks within the region, IEG has not been affected.
- b. The phishing campaign has continued across IEG to keep raising awareness of cyber threats and is seeing improvements; the latest campaign results were 3% against 10% at the last campaign, and this has resulted in the overall IEG grading rising to a B, from a C grading previously.
- c. A host of statistics were shared to exhibit the levels of threat and the successful activities in place to detect and protect.
- d. It was further noted that companies within the IEG supply chain are also increasingly being hacked.



— Inspire Education Group —

e. Governors thanked the team for the excellent level of detail in the report, and commended the evidence of effective defences and ongoing work around cyber hygiene, particularly noting the jump in detections seen in May.

f. Governors suggested that in view of all the evidence they have seen to show the threat level and how the defences are working, it would be useful for the Committee to further understand the business continuity plan for cyber-attack; COO to share at next meeting. **(ACTION 14)** The COO is currently developing the IEG IT strategy which will include how to respond to attack.

45. FRAUD REPORT

Information item

Speaker: CFO

Time: 18:40

a. There had been little activity to report.

b. Regarding the dismissal noted in the report, governors commended the team on acting decisively, and whilst it was unfortunate and disappointing that a member of staff had to be dismissed, it was agreed that it was the appropriate response.

c. Low level theft in refectories is dealt with via the standard student disciplinary mechanism.

Governors noted that the low levels of such issues make a great statement about the culture of the student body.

d. Governors were assured by the report, noting the confidence it gave them in the robust procedures in place.

46. URGENT BUSINESS (ITEM 38C REFERS)

Standing item

Speaker: Chair

Time: 18:45

47. DATE OF NEXT MEETING: TBC (REMOTE)

Information item

Speaker: Chair

Time: 18:50

The draft meeting schedule will be approved at the July Board meeting, with Team Engine updated and calendar invites for 2024/25 issued as appropriate.

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

Information item

Speaker: Auditors

Time: 18:50

None requested.

Validera and RSM were thanked for their services; the calibre of the reports submitted was appreciated.

There being no other business, the meeting closed at 18:45.