

IEG GROUP AUDIT COMMITTEE

November 27, 2024

5:30 PM - 7:00 PM

Remote

ATTENDANCE

PRESENT

Martin Ballard
Gillian Beasley
Tony Keeling (Chair)
Claire Sutherland (RSM)
Roopa Patel-Harji (Validera)

IN ATTENDANCE

Edward Thomas
Louise Perry
Rachel Nicholls
Jane Spurgin

ABSENT

Gemma Roger
Qun Yang (Resigned)
Joanne Ulyatt
Julia Bates

1. WELCOME

Standing item

Speaker: Chair

Time: 17:30

- a. **Apologies for absence:** Apologies were received from Gemma Roger and Julia Bates. Members noted that Qun Yang resigned as a Governor on 18.11.24.
- 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 no interests were declared.
- c. **Requests for urgent business:** None received.

2. MINUTES

Decision item

Speaker: Chair

Time: 17:32

- a. **Minutes of last meeting (25.09.24):** The Minutes of the last meeting were confirmed for signature **(ACTION 1)**.
- b. **Matters arising from the minutes:** None
- c. **Actions from the minutes:** Completed

3. AUDIT COMMITTEE TERMS OF REFERENCE

Decision item

Speaker: Governance Director (proxy)

Time: 17:35

The Audit Committee considered its Terms of Reference which had been updated to amend the Executive membership posts to reflect the new Executive Team (Item 7b). The amendments were **approved** with the proposal to be shared with the Board for ratification **(ACTION 2)**.

4. INTERNAL AUDIT

Decision item

Speaker: Validera Representative

Time: 17:40

Internal Audit:

- a. Review Audit Briefs (Block 1/2/3/next academic year)
Members received and **approved** the following internal audit assignment briefs for 2024/25:
 - IEG Budgetary Controls
 - IEG Commercial Activities (Income Diversification)
 - Follow Up of previous audit recommendations
 - IEG IT Health Check
 - IEG Information Governance (safety and security of data and ensure compliance with relevant legislation)
 - IEG Payroll and Expenses
 - IEG Quality and Improvement
 - IEG Risk Management

Validera also presented the timeframe for audit work during 2024/25.

Members noted with confidence that the CFO has worked up the proposals with Validera, most of these in collaboration with the teams and made a strong attempt to spread these out over the year. It was requested that timeliness of reports is reviewed to ensure that they land with the Committee for review in line with the meetings

schedule. Broadly reports should line up to meet Audit meetings: Wave 1 to report in March; Wave 2 to report in June and Wave 3 to report in September. Validera to draw out a timeframe with key reporting dates to meet governance timeframes (**ACTION 3**).

b. Internal Audit Recommendations Tracker (with appendix)

Members received a progress review against the recommendations identified in 2023/24 internal audit reports, with the exception of two actions brought forward from prior years, and noted the key points that:

- progress to date is generally very positive, with 21 of the 29 outstanding recommendations having been closed by IEG management;
- the one red rated recommendation has been implemented - this related to apprenticeship income recognition. Validera will test the implementation in follow up work during 2024/25;
- three recommendations are in progress, all rated green;
- five recommendations are still to be implemented, one of these is amber, and this was to implement a system solution to staff claiming variable hours. IEG has paused any further development of the current system, as it is unsupported from next year, and a new or upgraded system must be procured.

Management indicated that all tasks are either in progress or have established deadlines. Completed items will be removed from the subsequent version, simplifying the process (**ACTION 4**). Amendments will be circulated promptly after each meeting, with a deadline three weeks before the next scheduled meeting. Members challenged the number of recommendations relating to HR and were advised that the position is an improvement on the previous year and there is a wider piece of work underway with changes to the top tier of HR structure and a new senior appointment in hand which will further drive improvement.

c. Student Records - Apprenticeship Onboarding Report

The above internal audit report was received reflecting the following areas of good practice and areas for improvement:

Good Practice

- documentation in place to summarise key stages and responsibilities;
- Apprenticeship Agreement and Training Plan are separate documents;
- the Group is listed on the Apprenticeship Provider and Assessment Register (APAR).

Areas for improvement

- initial assessment documentation not provided for all sampled learners;
- ensure training plans include the 'Off-The-Job (OTJ) Schedule of Training';
- include planned OTJ hours on the ILR - not minimum OTJ hours (as required by the ESFA Funding Rules and IRL Specification);
- progress reviews are signed and completed by all three parties (Group, Employer, Apprentice).

Audit Opinion - Adequate Assurance: IEG is able to take the stated level of assurance that the controls upon which it relies to manage risks material to the achievement of its objectives are suitably designed and applied.

Members observed that the report reflects just how challenging apprenticeships have been, that the Off the Job (OTJ) evidence aspect is particularly difficult, but noted that the Group is on a journey to improvement with the newly appointed Group Director of Employer Engagement & Apprenticeships making good progress. This report is based on last year's data. It provides sound conclusions and highlights improvements made. However, things have moved on again with the changes being made. Whilst the Board will not receive a paper on Apprenticeships from a funding compliance point of view in December, the CEO pointed out that the SAR review process has assessed Apprenticeships at Grade 2 and that, on the Accountability Framework for Apprenticeships, the IEG metrics are now green reflecting the progress that has been made.

Members noted the response points made and further commented that the SAR gradings suggest that close attention to compliance quality has driven improvements - with achievement rates now at 63%, 9% improvement on the previous year. It welcomed the close eye that internal governance is keeping on processes as a focus going forwards.

d. Annual Report – Final Draft (review of previous year)

Members received the Annual Internal Audit Report 2023/24 and were pleased to note that:

- the agreed audit plan was delivered within the 65 audit days approved;
- Validera's audit opinion is that: *overall, in our opinion, based upon the reviews performed during the year, Inspire Education Group has:*
 - ✓adequate and effective risk management.
 - ✓adequate and effective governance; and
 - ✓adequate and effective control processes.

The Committee **commended** the Senior Leadership Team and staff for achieving a positive audit opinion, especially considering the challenges of the past year. Validera thanked the Committee and IEG teams for their collaborative approach and hard work in attaining this result.

5. EXTERNAL AUDIT

Decision item

Speaker: External Auditor/Chief Finance Officer

Time: 18:00

External Audit (IEG):

a. Draft Financial Statements for IEG, UCP and QRS

Members received the Draft IEG Financial Statements 2023/24 and noted details of the current position and work carried out:

- the CFO reported that these are a strong set of accounts and that IEG is in a much better position this year in terms of external audit completion compared to previous years;
- the cover report provided details explaining areas of difference, reconciling the management account figures received by the Committee previously;
- a further version of the Financial Statements is being worked on to finish off some notes and disclosures and there are some gaps to fill in;
- the actuarial adjustments received after year end and some additional disclosures relating to a recent court case;
- the differences between the previously reported P12 position and the statement presented were explained – the adjustments have resulted in an increased full year operating surplus of £579k (increased from the £434k reported previously) and a financial statement's position of £300k;
- finalisation of the IEG financial statements is contingent upon the completion and audit clearance for the subsidiary UCP and QRS accounts;
- a number of issues for completion were highlighted which require further work;
- UCP also reflects a good performance, with minor adjustments due to change relating to the bad debt position and work done by the team to reduce the amounts owed since year end; and
- QRS balances back to zero – no profit no loss.

Members enquired how many adjustments had come from the auditors and were advised that just the bad debt adjustment had come from RSM – the others were all identified by the IEG Finance team.

External Auditor's Report:

b. IEG Audit Findings Report – presented by RSM

The auditor presented her report and highlighted the following, that:

- the report presented was drafted last week and that work is ongoing, as is normal;
- they are in the throes of finalising the work through review process;
- they have effectively audited the work from the College – just bringing together the Group level report;
- there will be a minimal unadjusted statement this year;
- the report sets out the findings in relation to the areas of risk identified at planning stage;
- there is a recommendation later in the report around journals;
- apprenticeships and learner data – RSM checked a sample 17 apprenticeships with no material funding risk but some data observations have been included;
- the pension scheme asset is not recognised on the balance sheet as per specific guidance for colleges covering this item;
- the expected conclusion of the report will be that IEG is a 'Going Concern'.

RSM further commented on the following areas:

- Reclassification – a different focus – no major findings;
- Fixed Assets: procedures for large capital projects/borrowings reviewed. Depreciation policy changed, requiring additional disclosures;
- the CFO is checking whether the deferred capital grants are matching. RSM had challenged where there was no release and confirmed that the treatment was, in the main, accurate;
- APT bank account – when the account was closed, the money within Natwest was surrendered to HM Treasury. For the purposes of the statements this has been reclassified that asset from cash to debtors – the Crown claimed money and IEG is trying to recovering it. Members enquired about the costs of this action and were advised of c. £3k direct costs (halfway through the process now which is likely to conclude by February) but that the loss of interest is much higher than the cost of recovering it. A formal complaint is to be sent but IEG may struggle with evidence (some bad advice was given via telephone calls). Members asked that the full indirect costs of non-productive time and effort arising from the bank's error be tracked. Members agreed with the financial treatment in the financial statement and asked that an update on the position is brought in March (**ACTION 5**);
- Controls around journal entries (fraud risk): timely review process in place, but supporting evidence not always available.
- Transfer of assets (construction): Depreciation is deferred until assets are brought into use. The timing of depreciation was examined, and an informal process was identified. Due to the significant increase in capital expenditure on construction projects, formalisation of this process is recommended;
- Bank reconciliation – transactions posted into wrong period. Not material but flagged as a control point;
- Student funding recommendations: relating to data and MIS has provided responses;
- Reclassification of the APT balance: to be further explored with CFO outside of the meeting;
- Unadjusted £66k accrual for sub-contracting - not material;
- Water Accrual Estimate: This page will be removed from the final report. The anomaly arose from a billing confusion, which has now been rectified;
- Nothing major to report on either UCP or QRS;
- Disclosures – RSM will feed back comments to IEG and then the table will be populated;
- Standard representations;
- This year's finance audit has gone well – new portal which has helped. Some delays with MIS in the summer which may affect final costs but generally any points of potential friction had been easily resolved.

Members **noted** what they felt to be a thorough and satisfactory report, well presented, reflecting no material issues and that the management responses appear sensible. The Committee was pleased note that the audit opinion will be that IEG is a 'Going Concern'.

Members **further noted** that the finalised statements and external audit report will be presented for approval by Governors to the Board on 12th December 2024.

6. IEG AUDIT COMMITTEE ANNUAL REPORT

Decision item

Speaker: Chief Finance Officer
(on behalf of the Governance Director)

Time: 18:30

The draft Audit Committee Annual Report (ACAR) was presented for review and Members agreed the key statements made, that the:

- Audic Committee (AC) has acted within its terms of reference and complied with governance requirements;
- AC can provide assurance to the Corporation that the Group's various procedures and systems of internal control, governance processes, arrangements for risk management, control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets are adequate and effective;
- AC had agreed the Annual Internal Audit Plan for 2023/24, received/reviewed all reports, audit opinions and tracked management response completions (see also item 4b above);
- report includes the Annual Internal Audit Opinion reflected at item 4d above;
- work of the external audit service was reviewed;
- AC continuously reviewed the Group's arrangements for risk management; and formally concludes that the AC:
 - a. considers that the Internal Audit Report indicates satisfaction within the system and all points raised are addressed in the relevant minutes;
 - b. takes comfort from the corrective action that has been instituted and is assured that realistic dates for implementation have been set;
 - c. is content with the production and comments surrounding the External Auditor's work with the Annual Financial Statements; to be reviewed following receipt of the management letter and outcome of regularity audit; and
 - d. the committee is satisfied that adequate processes as detailed in paragraph 3 are in place and additionally, that VFM, which is regularly considered, is being satisfactorily achieved;

Members agreed that the ACAR provides an excellent summary of the Committee's collective work and noted that there are a couple of items in red which are yet to be finalised (i.e. unqualified audit opinion is missing) - reliant on receipt of the final documentation from RSM. It was noted that the opinion will be available prior to the Board meeting when the completed document will be presented to accompany the Financial Statements 2023/24.

The Committee **approved** the draft ACAR and **agreed** that it should be finalised and presented to the Board on 12th December 2024.

7. PROCUREMENT REPORT

Information Item

Speaker: Chief Finance Officer

Time: 18:40

This report provided the Committee with details of the key work undertaken by the IEG Procurement function during June 24 to October 24 with key points summarised as follows:

- *Procurement savings and value for money* - with large capital projects ongoing Cleggs and Lindum are the top suppliers in terms of value in IEG and will expect to stay for the remainder of the year as construction projects in year are underway on key multi-year projects and programmes;

- *Top 20 supplier review* - the top 20 suppliers' cover:
 - Construction (capital)
 - Subcontracting
 - Transport Services
 - Awarding/Exam Body Fees
 - IT services and supplies
 - Utilities

Generally, the costs incurred in the top suppliers above were fixed for the year. Going forward there are still some inflationary pressures across expenditure streams which IEG is continually looking at ways to reduce and make savings where possible;

- *Key procurement activities;*
- *Tenders due to be released;*
- *Single Supplier and Value for Money Forms* - there were twenty-four single supplier justifications approved during the period (value £718.6k) reflecting an increase against prior years, with the lack of being able to obtain three comparable quotes becoming more common despite trying, in some cases, in excess of three months;
- *Tenders* - there were two large tenders that went for Board approval in the period. The first one was the Adult Education Budget which was considered in June and bought to Board on 2nd July. The second was for student transport which underwent a full review and was similarly considered by Board on 2nd July 24;
- *Upcoming Procurement policies/legislation* and appropriate department staffing resources.

The Committee discussed, in particular, that the non-pay costs associated with providing public transport for student far exceeds what others colleges have to pay (due to recruitment distances) and that discussions on contributions from the Combined Authority are underway.

Members suggested that it would be helpful to understand where there are some material difference in the spend between years and that the tables within the report be adjusted to improve understanding, grouping things more clearly to indicate trends at individual area level (**ACTION 6**).

The Committee **noted** the report and the detailed content on procurement activities provided.

8. FRAUD REPORT

Information item

Speaker: Chief Finance Officer

Time: 18:45

The Committee received the IEG Fraud report and Risk Review from 1 August to 31 October 2024, summarising the known frauds and attempted frauds suffered during the period. It noted that:

- twenty-one areas of fraud risk are identified and reported against, with one amber current RAG rating and the remainder green;
- the amber rating relates to *Finance - senior members of staff impersonated through email by criminal gangs to extract funds*. Mitigating action taken is: separation of duties - 1 person loads payment, 2 stage approval of payments, specific finance fraud training;
- systematic DBS checks on new staff members had resulted in identifying a person who was on the barred list for working with children. The job offer was rescinded prior to the start date of 19 August 2024.

Members commented that it was good to see the DBS process working and to note that coffee shop thefts have gone down slightly.

The CFO reported that:

- she is happy with the issues raised and action taken for first part of the year;

- the culture of the Group and the behaviour of students is positive;
- systems are working; and
- looking at the volume of learners, the number of incidents is seemingly trivial.

Noting an information overlap with the Cyber Security Report (agenda item 9), members suggested that future Fraud Reports include only details of where cyber has led to fraud (**ACTION 7**).

The Committee received the report and **noted** the action taken.

9. CYBER SECURITY REPORT

Information item

Speaker: Chief Operating Officer

Time: 18:40

Members received a report providing an overview of cyber security across the Group for the period Sep-Nov 2024 covering:

- cyber attacks within the sector compared against IEG;
- IEG Penetration testing;
- staff cyber awareness, training and phishing campaign;
- DDoS attacks and internal cyber attacks;
- spam email monitoring.

It was reported that IEG's cyber security risk management measures continue to provide adequate protection against cyber risks within the sector and the region in which IEG operates – overall IEG is in a in good place and controls are working. The following items were discussed in detail:

- *Cyber Security in the Sector* – in October there were 16 FE sector and 18 HE sector reported cyber attacks. It was noted that ongoing cyber activity is likely to remain high, and the threat severity level is remain high with the ongoing situation in the Middle East / Ukraine;
- *IEG Penetration Testing* – tested over the summer by the Jisc Penetration Testing Team and it was deemed a really good process to support IEG to continuously evolve. Of the recommendations made, 21 have been completed and the others are being worked through now. Members asked that an action tracker of the recommendations and action taken is presented at the next meeting (**ACTION 8**);
- *Staff Cyber Awareness* - it was disappointing to note that 23 staff had responded to the recent email phishing tests submitting their username and password to the would-be cyber attackers. Further training has been provided to staff and further spoof email campaigns are planned to test compliance. The testing has a positive impact on due diligence and makes staff more aware;
- *IEG Specific DDoS Attacks* - there were no significant DDoS attacks during the period;
- *IEG Internal Cyber Threats Detected and Managed in the period* – in respect of high-risk detections (c. 65k attacks in September - a significant increase from Sep 2023) Members noted mitigating actions taken to address/resolve issues;m
- *Spam emails* – activity scanning and blocking spa emails over the last 30 days.

Members **welcomed** and **noted** the detailed report, thanking the team for the work being undertaken, and confirmed that it wished to keep a close eye on the details at this meeting. It further requested that it receive an update on Business Continuity at its next meeting (**ACTION 9**).

10. RISK REPORT

Discussion item

Speaker: Chief Finance Officer

Time: 18:55

Members received the Board Assurance Framework (with heat map) and the IEG Contingency Risk Register providing a review of the risk environment for 2024/25. The following summary information was noted:

a. Board Assurance Framework:

- the strategic risks covered in the Board Assurance Framework experienced no changes to the residual risk scores, though there have been a number of updates to the action plans to manage these risk areas during 2024/25;
- of note, the way apprenticeships is being managed and monitored has led to a significant change to the apprenticeship risk action plan;
- staff recruitment remains high risk;
- the higher education residual risk remains high as the September recruitment forecast was not achieved. However, there is a significant enrolment point in January 2025, higher than usual as new qualifications are introduced mid-year;
- the financial risk is expected to reduce as the forecast becomes more certain during the year.

b. IEG Contingency Risk Register

- Contingency risks have been subjected to a robust review, including a peer review, and contain some significant updates. Particularly apprenticeship, and quality with reviews and replacement of existing controls in some places;
- the risk on reducing sub-contracting to the required level has been removed as this has now been achieved;
- One new risk has been added to deal with the implementation of new software. The roll out of technological solutions is accelerating in the organisation, and the risks around adoption by staff of new systems is recognised;
- Risks with an increased residual score were noted as:
 - GW3 based on the volume and value of project funding (revenue) being received
 - P4 due to the significant scaling up of the supported delivery model contract
 - S3 because of some key staff vacancies in this area
- Risks with a reduced residual score were noted as:
 - ES2 as a result of grant funded capital projects coming to a close without any material issues

Members **noted** the report and requested that future reports be checked for coherence of risk level colours to ensure that shadings line up (**ACTION 10**). To better avoid any manual error, discussion took place on whether IEG should move to a digital platform to implement and monitor its risk management process. The pros and cons of moving to an automated system were discussed with a strong sense from management that the current Excel process gives the people involved real ownership and a whole college approach to managing risk. A more systematic approach would have to provide tangible benefit. It was noted that internal audit is reviewing Risk Management (item 4a) and that consideration may come from any recommendations.

11. REGISTER OF SEALS REPORT 2023/24

Information item

Speaker: Governance Director (proxy)

Time: 18:57

The Committee received the annual report recording the use of the Corporation Seal detailing the date, document name, document purpose, and the name of the signatories of each application of the Seal during 2023/24.

The report was **noted**.

12. GIFTS & HOSPITALITY REPORT 2023/24

Information item

Speaker: Governance Director (proxy)

Time: 18:58

The report provided the Committee with a list of staff across both Stamford and Peterborough campuses that have received a gift or hospitality from an external stakeholder, student and/or parent in the academic year 2023/24.

It was noted that there were 6 reported occurrences of gifts/hospitality with a maximum value of £70 against a single occurrence;

In response to enquiry from Members as to whether information is captured from all staff and if the report is comprehensive, Management advised that:

- staff are aware that, as a matter of academic integrity, they are not allowed to accept gifts;
- reporting and tracking is focussed on key decision makers which is where there is an area of risk.

The Committee **endorsed** the above strategic approach and **noted** the contents of the report.

13. URGENT BUSINESS (ITEM 1C REFERS)

Standing item

Speaker: Chair

Time: 19:00

On enquiry, Members were reassured that IEG is aware of, and responding to, the change in Sexual Harassment legislation introduced in October 2024.

14. DATE OF NEXT MEETING: WED 5TH MAR 2025

Information item

Speaker: Chair

Time: 19:00

The date of the next meeting was confirmed as Wed 5th March 2025.

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

Information item

Speaker: Auditors

Time: 19:00

None.

Meeting closed at 19:00