

IEG GROUP AUDIT COMMITTEE

5th March 2025

5:30 PM - 7:00 PM

Remote

ATTENDANCE

PRESENT

Martin Ballard	(from Item 4)
Gillian Beasley	
Tony Keeling	(Chair)
Gemma Roger	

IN ATTENDANCE

Lee Glover	(Validera – departed at Item 11)
Roopa Patel-Harji	(Validera)
Julia Bates	
Rachel Nicholls	
Louise Perry	
Jane Spurgin	(Interim Governance Director)
Edward Thomas	

APOLOGIES

None

1. WELCOME

Standing item Speaker: Chair

- a. **Apologies for absence:** No apologies were received.
- 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.

Lee Glover and Roopa Patel-Harji (Validera) were welcomed to the meeting.

2. MINUTES

Decision item Speaker: Chair

- a. **Minutes of last meeting (27.11.24):** 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. MERGING UCP AND IEG AUDIT COMMITTEES

Members received a report outlining the activities and timeline for the merger of the IEG/UCP Audit and Search & Remuneration committees which was agreed by the IEG Board and the UCP Council early 2024. It was noted that:

- Dr Alison Davies (UCP Audit Committee Chair) and Peter Walker (UCP Council member) will be co-opted onto the merged Audit Committee;
- the OfS has been advised of the planned approach and is content for us to proceed;
- in order to comply with our own governance arrangements, a number of checks must be undertaken and amendments made to statutory governance regulatory documents;
- the UCP Council and the IEG Board will each be presented with any amendments for approval at the next meetings towards the end of March.

Members discussed that:

- the action plan is clear and is the right thing to do in terms of simplifying governance;
- a side conversation with members of the current UCP Audit Committee to support a smooth transition would be appropriate (**ACTION 2**);
- to enhance members' understanding of UCP and its business context in preparation for the planned Audit Committee merger, it was agreed that engaging with the UCP Council Chair and the Academic Director would be beneficial. The CEO will coordinate this engagement (**ACTION 3**)

Members **noted** the planned approach and looked forward to where those next steps will lead.

4. INTERNAL AUDIT

Decision item

Speaker: Validera Representatives

Internal Audit Progress Report 2024/25 – March 2025

Validera presented the above progress report and it was noted that:

- Validera is growing and has recruited a new team of sector specialists from competitor firms, including Karl Bently as a Director, from RSM;
- a joint venture has been created (Validera HB&O Ltd) providing an external audit solution to the education sector;
- the internal audit plan is on track with 5 of the 10 audit briefs completed and the remainder scheduled for completion between March and the end of May;
- all reports will be available by the June Audit Committee date;
- follow up will take place in the next academic year;
- performance indicators are good at the moment;
- currently there are no individual findings arising which are considered significant enough to impact negatively upon the overall Annual Opinion in respect of the organisation's risk management, governance, and control processes.

The Committee **welcomed** the report and commented that it feels like a smooth, well managed process, that it is a thorough piece of work and congratulated the Internal Audit Service for pushing through the work to completion within the Academic Year.

Internal Audit Reports 2024/25

Payroll and Expenses Audit Report

There were three recommendations arising from the review (two Amber and one Green), as well as two Blue Good Practice points (one Amber point (Payroll Approvals) was not applicable to UCP). Management has accepted and responded to all findings.

- Amber: To review the Expenses Policy and identify what are classed as acceptable claims.
- Amber: Ensure the APT payroll is reviewed and approved by a second officer as required by the Financial Regulations prior to payment being made. Management advised Members that whilst it accepted the point, the APT payroll is exceptionally small and the finding is not against the payroll as a whole.
- Green: To introduce a timetable of cut off dates within the payroll process and communicate to applicable staff.
- Blue: Drivers Compliance Checks - to ensure appropriate checks are made (Business Insurance, MOT and Driving Licence).
- Blue: iTrent System - identify if additional system functions can be used for efficiency purposes (system approvals, self-service functionality, timesheets).

Good Practice identified:

- ✓ Segregation of roles and responsibilities.
- ✓ Cumulative annual mileage is monitored.
- ✓ Pay changes include documented approval.

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.*

The Committee **noted** the report and was pleased with the actions identified which will help to further improve payroll systems and processes.

Risk Management Audit Report

There were two recommendations arising from the review (one Amber and one Green), as well as a Blue Good Practice point (applicable across the Group). Management has accepted and responded to most findings (it does not currently pay for the 4Risk software).

- Amber: To determine Risk Appetite, develop a Risk Appetite Statement, and embed Appetite within the Register
- Green: Introduce a formal training programme covering all aspects of Risk Management
- Blue: To consider using 4Risk to support risk management purposes and introduce training to support staff.

Good Practice identified:

- ✓ An up-to-date Risk Management Policy is in place, clear and detailed.
- ✓ Risk Champion responsible for coordination across the Group.
- ✓ Risk Registers are in place with identified risk owners.
- ✓ Risk Registers include Inherent and Residual risk scores.
- ✓ Responsibility for risk is clearly devolved across the Group, including exercising Committee oversight.

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.*

In response to the Amber finding, management advised that the Risk Management Policy has been updated and is presented at Item 12 including a proposed Risk Appetite Statement, covering key areas of risk.

The Committee **noted** the report and welcomed the good points raised about risk appetite and training.

Commercial Audit Report

There was one Amber recommendation arising from the review, as well as two Blue Good Practice points (applicable across the Group). Management has accepted and responded to the finding.

- Amber: Commercial Strategy should be completed and complemented with the relevant operational level Policies as required, including sections on legislative framework, pricing, terms of trade / conditions of sale, VAT status, operating requirements, risk management, monitoring and reporting.
- Blue: Consider promoting catering activity externally to the general public (i.e. advertise vacancies, attract business development ideas etc) to achieve better value for money.
- Blue: Consider inclusion of the impact on employment opportunities in the Committee and Board reports

Good Practice identified:

- ✓ There are 3-year business plans in place for Catering and Nursery functions.
- ✓ Commercial activities are adequately promoted and marketed across relevant audiences, with information available via the Group's intranet (Catering) and a dedicated website (Nursery).
- ✓ Appropriate budgetary control arrangements with budget allocation letters provided to budget holders and financial performance monitored and reported to the Finance and Resources Committee and the Board.

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.*

The Committee **noted** the report and that the Commercial Strategy draft will be finalized and approved by the Executive in March 2025. Key performance targets from this and other supporting strategies will be developed and reported to the Finance and Resources Committee

Budgetary Control Report

There was one green recommendation arising from the review, as well as a Blue Good Practice point (applicable across the Group).

- Green: To develop a structured training programme to budget holders including refresher training. It was confirmed that this has recently been rolled out to new managers.
- Blue: To review the Doli System and consider if it can be updated to allow further reporting and provide further training on the use of the Doli System. The above internal audit report was received reflecting the following areas of good practice and areas for improvement:

Good Practice identified:

- ✓ Budget holder responsibility letters outline budget holder responsibilities.
- ✓ The Board, FRC and UCP Council review and approve the budget annually.
- ✓ Regular Finance and Commercial Reports are presented to the Board and FRC.

Audit Opinion - **Substantial:** *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.*

The Committee **noted** the report welcomed the positive audit opinion.

Quality Management Report

There were two Green recommendations arising from the review:

- Green: QIPs should be updated to include a mandatory field for the date of last update to ensure plans reflect the most current information and Staff should be reminded that all areas for improvement within QIPs should be supported by specific actions to address the issues and are assigned responsible officers and clear deadlines. - checks should be included as part of the review process.
- Green: The Quality Improvement Guide should be updated to provide more clarity on how often lesson visits should be carried out for departments and faculty areas and lesson observations should be appropriately monitored to ensure they are completed.

Good Practice identified:

- ✓ The CQSE meets on a regular basis and reviews quality reports.
- ✓ Staff members are assigned a QLP, and QLPs maintain a coaching log recording the outcomes of lesson observations undertaken.
- ✓ Lesson observations and probationary reviews take place for new staff at the three, six and nine months point of their probationary period.
- ✓ The Quality Dashboard provides a live view of quality activities and performance.

Audit Opinion - **Substantial:** *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.*

The Committee **noted** the report welcomed the positive audit opinion.

Audit Assignment Briefs 2024/25

Student Records

Validera presented the draft assignment brief and it was noted that:

- management has requested a review to consider whether the Group is making best use of its student records systems;
- the review will focus on the use of the Group's Student Records system and supporting modules to highlight inconsistencies and identify areas of good practice;
- the review will include specific testing relating to UCP;
- the review has a provisional start date of w/c 31/03/25.

Financial Controls

Validera presented the draft assignment brief and it was noted that:

- management wishes to confirm that the Group's control framework in respect of Financial Regulations and associated policies such as Debt Recover and Treasury are appropriate to ensure that management information is accurate, reliable, timely and appropriate to the structure and operations of the business;
- the review will focus on debt recovery management and treasury management;
- the review has a provisional start date of w/c 31/03/25.

UCP HTQ's Development & Implementation

Validera presented (for information purposes) the draft assignment brief and it was noted that:

- the management objective is to assess the effectiveness and efficiency of controls in place for developing and implementing Higher Technical Qualification(s) (HTQs) ensuring compliance with relevant regulations and standards;
- the review will be performed in accordance with the scope outlined in the Brief and testing will be performed where appropriate to verify the existence of controls within the available budget;
- an additional area of testing has been discussed with management and will be added to the brief: project returns and management (to reduce risk of clawback)
- the review will take place in May 2025.

Members received and **approved** the above internal audit assignment briefs for 2024/25:

Internal Audit Recommendations Tracker 2024/25

Members received a progress review against the recommendations identified as outstanding at the last Audit Committee date, and ten new external audit recommendations, as presented to the Board on 12th December 2024 which had been added.

Progress to date is generally very positive, with ten of the eighteen outstanding recommendations having been closed by management in IEG.

Members noted the following key points, that:

- the external audit recommendations from the 2023/24 audit have been added - all are rated green. These are fewer and show better compliance, particularly around apprenticeship processes, than had been experienced in prior years;
- in terms of the funding compliance this means that the audit team found no issues that would result in a clawback of ESFA funding;
- the work covered 2023/24 paperwork, and in most cases changes to paperwork and processes undertaken over the summer and since the new Group Director for Apprenticeships joined IEG, have already been addressed for 2024/25 new starts;
- in total there have been 39 recommendations reported year to date. At the last report, 21 were reported as complete and removed from the report;
- at the report date, ten recommendations are reported as complete, five in progress and three remain outstanding. The five recommendations in progress were all rated green;
- of the three recommendations still to be implemented, one of these is amber (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. Manual systems are in place during this time.

The Committee commented that the report reflected good progress in clearing the outstanding items, **noted** that a practice of lockdown procedures (BCP) will be undertaken during the Summer term and **approved** that the system solution to staff claiming variable hours will be closed and that scrutiny of the new system will be included in a future audit review (**ACTION 4**).

5. HMRC QRS MINIMUM WAGE AUDIT

Information item

Speaker: Chief Finance Officer

Members were advised that a recent visit by HMRC to undertake a minimum wage audit had covered the following aspects:

- how staff hours are recorded;
- what IEG pays;
- whether training is undertaken in staff's own time;
- whether PPE/uniforms are paid for by staff;
- travel to work;
- requirement to purchase food on site;

Next steps will include management providing a list of all staff, time sheets/payslips and some staff will be contacted directly for their views.

The Committee noted that the process may take some time and that a report at the end of the process will come to the Audit Committee (**ACTION 5**). It was considered that the process lays a burden of scrutiny on management for a relatively low risk area and that it is not clear why IEG has been targeted for this review. However, it could be considered free consultancy, in a way, to test systems and processes.

Members **noted** the information and looked forward to receiving the outcome report when completed by HMRC.

6. APT CASH RECOVERY UPDATE

Information item

Speaker: Chief Finance Officer

This report provided the Committee an update on the recovery of funds owed to IEG when APT was struck off as a company and funds held by NatWest Bank were passed to the Treasury. Members noted the current position, that:

- there have been many months of submitting numerous bits of paperwork to try and get the funds transferred to IEG;
- IEG sought legal advice, and as a result of this has engaged a specialist company restoration firm who are very experienced in dealing with this exact issue;
- to date, all is progressing positively, the temporary company restoration is complete and shows as active on Companies House.
- the next stage in the process is to request the funds be returned to IEG;
- the final part will be to then close the company back down. Management anticipates this all being completed in the next few weeks, and the Board will be updated in late March through a line added into the Finance Report (**ACTION 6**).

Members requested that management ensures that costs associated with management time and loss of interest are included in the claim settlement with the bank.

The Committee **noted** the planned actions in place and looked forward to receiving news of a positive outcome to the claim process.

7. GDPR (HALF YEAR REPORT)

Information Item

Speaker: Chief Finance Officer

Members received and discussed a review of GDPR incidents for the first 6 months of 2024/25, noting that:

- a half year review has been prepared, specifically to inform governors about the breaches received year to 31st January 2025 as, during 2023/24 there were twelve breaches over the entire year (with one relating to UCP), but there have been ten breaches this year to date;
- of the breaches to 31st January 2025, four were UCP;
- most breaches are down to human error, are low level data and affect low numbers of people;
- none of the breaches are Information Commissioner's Office (ICO) reportable;
- it is felt that the upturn in reported breaches is likely due to the improved training and reporting culture across the Group;

Members considered the details of two specific UCP breaches: one relating to a student's access rights on Canvas and the other relating to a complaint received via a firm of solicitors for the use of a (family) photograph from the September 2024 UCP graduation ceremony in marketing materials. On the second issue, IEG has engaged Evershed Sutherland to act on IEG's behalf and are currently drafting their substantive response to the complainants' legal representatives.

The Committee felt unconcerned about the increase in reported (low level) breaches as it reflects good practice and raised cultural awareness. It was pleased to **note** that none of the breaches were ICO reportable and that the reported breaches are evidence of potential incidents rather than admissions of fault.

8. PROCUREMENT REPORT

Information item

Speaker: Chief Finance Officer

The Committee received a report on the key work undertaken by the Procurement function in IEG during November 2024 to January 2025 and noted the following key points:

- with large capital projects ongoing Lindum, Page and Tri-Bond Roofing are the top suppliers in terms of value in IEG and will expect to stay for the remainder of the year as works gets underway on some key building works at both sites;
- the top 20 suppliers' cover:
 - Construction (capital)
 - Subcontracting
 - Transport Services
 - Awarding/Exam Body Fees
 - IT services and supplies
 - Utilities
- while annual costs from the top suppliers are largely fixed, with volume-based variations, management anticipates potential cost pressures from national insurance and minimum wage increases will affect supply chain inflation. To mitigate these risks, management is implementing ongoing cost reduction initiatives - specifically, targeting transport cost reductions in 2025/26 and conducting a comprehensive review of examination expenses to identify savings opportunities;
- there were eleven single supplier justifications approved during the period, which is continuing to increase against prior years, with the lack of being able to obtain three quotes becoming more common, despite trying (in some cases in excess of three months). Management will continue to explore the market for appropriate alternative suppliers;
- this period saw the conclusion of the specialist equipment allocation grant expenditure, which drove many of these purchases;
- there has only been one large tender in the period for the purchase of fleet vehicles (pool cars). This did not need further Board approval as this was within the College limit and had been included within the main capital programme for purchasing in 24/25.

The Committee **welcomed** the report and the information provided, **requesting** that in future Section 2 of the report be amended to include details of the amount of the overall spend to improve understanding (**ACTION 7**).

9. FRAUD REPORT

Information item

Speaker: Chief Finance Officer

The Committee received the IEG Fraud report and Risk Review from 1 November 2024 to 31 January 2025, summarising the known frauds and attempted frauds suffered during the period. It noted that:

- this is a strong report, with no significant frauds during the period;
- as agreed at the last Audit Committee meeting, the duplication of the cyber threats has been removed and, in future, will only be included in this report if the action results in a loss to IEG;
- seven thefts from September and October that were not previously included have been added to the report. These are low level student thefts, mainly from catering outlets;

- a further classification of fraud had been added to the report around manipulation of data.

Members commented that the low levels of theft, particularly considering the demographics of the area, reflects the impact of a positive culture which is to be celebrated.

The Committee **noted** the effectiveness of controls against fraud and the action taken, **commending** the strong, clear report.

10. CYBER SECURITY REPORT

Information item

Speaker: Chief Operating Officer

Members received a report providing an overview of cyber security across the Group for the current period, covering the following key items:

Cyber Security in the Sector

The sector has seen increased volume and sophistication in Business Email Compromise (BEC) attacks. This sophistication includes direct targeting of students and staff. Alongside email-based phishing-style access vectors, BEC was the second most popular ingress method in 2024. The National Cyber Security Centre is now promoting the rollout of additional security and IEG is assessing these additional measures in terms of practical application, impact and cost.

IEG Specific DDoS attacks

There were no significant DDoS attacks during the period.

IEG Penetration Testing

The Jisc Penetration Testing team conducted a penetration test for IEG in July 2024 - the overarching goal was to identify vulnerabilities, assess security, and highlight areas for security improvements. There were seven findings on the report, and an action plan to resolve all of these by the end March 2025 is in place. The Group Director of IT and Executive are monitoring progress against all of the actions.

A complete list of mitigation actions, owners, and current status was provided within the report.

IEG Internal Cyber Threats Detected and Managed in the period

IEG continues to encounter cyber events at the local network level. These threats range from unsecured credentials to ingress tools, PowerShell vulnerabilities, malicious software, and suspicious network activity. Members received details of high risk detections and noted that all issues were dealt with swiftly.

Spam emails Protection Report

Members received details to show activity scanning & blocking over the last 30 days which reflected an improved position.

Members acknowledged IEG's robust protection measures, recognised within the sector as best practice. While threat packages may be financially challenging for some colleges, the risk assessment must balance investment costs against exposure risks.

It was requested that the report be enhanced by showing percentage trends to normalise the figures, to start building trend data and to signpost where the nature of the risk has changed (**ACTION 8**).

Members **welcomed** the detailed report and observed that there was great work going on here in terms of cyber security protection.

11. BUSINESS CONTINUITY

Discussion item

Speaker: Chief Operations Officer

The Committee was provided with a report detailing the IEG Business Continuity Management Plan 2024/25 (BCM) designed to ensure the continued operation of the College in the event of a disruption. The plan covers a wide range of potential disruptions, including natural disasters, major incidents like fire or bomb threats and health scares.

Members noted that the Plan:

- outlines the procedures for responding to an incident, including the roles and responsibilities of different staff members. It also provides guidance on communication, resource allocation, and recovery;
- sets out a proactive approach to identifying and mitigating potential risks;
- reflects a commitment to developing and maintaining robust BCPs;
- ensures the organization's resilience in the face of evolving threats;
- includes:
 - details of the Primary Response Team that is responsible for coordinating the response to a disruption;
 - procedures for dealing with a variety of emergencies, such as bomb threats, fires, and major health scares;
 - a list of key personnel and contacts information;
 - a list of key suppliers and vendors;
 - a business impact assessment;
 - a disaster recovery plan;
 - a dedicated lockdown procedure.

The COO advised members that the BCM has been shared with Bedford College as good practice to inform their own BCM and that, whilst he is confident in the plan, the drills now need to be undertaken to test it. Members queried whether there should be a named Exec person responsible if the CEO is absent and were reassured to understand that the three Executive members will deputise to cover the actions and that there is an existing emergency duty rota in place.

The Committee challenged the inclusion of personal contact details within the Plan (under GDPR legislation) and, after some discussion, it was agreed that an explicit statement be added to the Plan clearly stating that all persons had consented for their contact numbers to be shared (**ACTION 9**).

The Committee was delighted to **note** the details of the BCM and congratulated the COO and his team on a superb piece of work of which many would be envious and welcomed feedback on the test drills to be undertaken in the Summer term.

12. RISK REPORT AND REVISED RISK MANAGEMENT POLICY

Decision item

Speaker: Chief Finance Officer

Members received a report covering four risk registers - the UCP Board Assurance Framework operational risk register being included in advance of the audit committees merging, subject to approvals by UCP Council and IEG Board.

The following summary information was noted:

IEG Board Assurance Framework (BAF)

- the Higher Education risk score has moved and is now the most pressing risk on the BAF. Principally because it is a standalone company and fluctuations in enrolment during the introduction of many new qualifications cannot be buffered by the wider IEG group. Consequently, the higher education residual risk has increased from 24 to 30, due to enrolments below target in January 2025. The finance team is working through the consequences of this on 2024/25 and, more importantly, 2025/26;
- the impact of the increased HE risk on the overall IEG financial risk is insufficient to change the financial risk rating, as the scale of the two operations are significantly different;
- while the financial environment is more uncertain than IEG has experienced for some time at this point in the year the risk score has not been increased. This is because some elements of the uncertainty are positive (employer pension contributions likely to reduce, and additional ESFA grant), as well as some well publicised negative changes (Employer National Insurance, and more recently notification of a reduction in Adult Funding for 2025/26).

IEG Contingency Risk Register

- the risks were subjected to a full review by the Risk Management Committee in early February resulting in many risks having updated mitigations/controls;
- there are four risks with an amended residual risk rating (full details were provided);
- no new risks had been added and none removed, which is as expected for a mid-year review.

Risks with an increased residual risk score

- **GW1 (cost uncertainty):** as a result of the uncertainty around costs, both directly as pay and indirectly from suppliers due to National Insurance increases;
- **HE1 (recruitment/income):** has increased after missing the recruitment/enrolment target for January 2025;
- **IT2 (Data loss/cyber security):** has increased due to the external environment, increased attacks in January and also the time of year as IEG activity from external sources (applications and progression) starts to increase during a period when there are some actions from the pen test report that were not complete at the time of writing (see Agenda Item 10).

Risks with a decreased residual risk score

- **S3 Safeguarding:** increased at the last report date, has returned to a lower level as the key staff vacancies in this area have now been filled.

UCP Board Assurance Framework and Contingency Risk Register

Members received the UCP risk report and BAF, and the UCP contingency risk register, included in advance of the committee's meeting. It was advised that:

- the BAF and risk register are a sub-set of the main Group risks;
- the UCP BAF has three elements: finance, staff recruitment & retention, and student enrolment;
- the key change this cycle is the Finance residual risk score - the income forecast has been revised down by approx. £100K for the year. More information around the consequences of this will be discussed at the March Board meeting.

The Committee received the risk reports noting the problems highlighted around the UCP financial position. The CFO advised that teams are working really hard to mitigate the impact through identifying savings and potential additional grant funding.

Risk Management Policy

Members received the updated Risk Management Policy and noted that the policy review was delayed to ensure any recommendations from the Annual Audit 2023/24 were incorporated into the revised policy. The review was completed and has resulted in a new section being added articulating the risk appetite for key areas in IEG.

While Members appreciated the Policy's risk appetite inclusion, they identified a possible disconnect between the BAF and the risk appetite scoring which required a wider discussion.

The Committee **recommended** the Risk Management Policy to the Board for approval, subject to a further conversation at Board level regarding risk appetite levels (**ACTION 10**).

13. URGENT BUSINESS (ITEM 1C REFERS)

Standing item

Speaker: Chair

None.

14. DATE OF NEXT MEETING:

Information item

Speaker: Chair

The date of the next meeting was confirmed as Wed 18th June 2025.

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

Information item

Speaker: Auditors

None.

Meeting closed at 18:42 and the Chair thanked all for attending.

