

IEG AUDIT COMMITTEE

18th June 2025

5:30 PM - 7:00 PM

Peterborough College, Boardroom (and online)

ATTENDANCE

PRESENT

Tony Keeling	(Chair)
Alison Davies	(Online)
Gemma Roger	
Martin Ballard	
Peter Walker	
Rachel Nicholls	(Online)

IN ATTENDANCE

Roopa Patel-Harjj (Validera)	(Online)
Claire Sutherland (RSM)	(Online)
Liz Knight	
Louise Perry	
Edward Thomas	
Julia Bates	
Jane Spurgin	(Governance Director)

ABSENT

None

1. WELCOME AND APOLOGIES

The Chair greeted members of the first joint Audit Committee, following the UCP Council and IEG Board decision to combine the IEG and UCP Audit Committees. UCP Council members Dr Alison Davies and Peter Walker, together with Liz Knight, UCP Accounting Officer were **warmly welcomed**. (IEG Audit Committee members had a useful tour of UCP this afternoon to improve their knowledge of the UCP and its offer).

He also **welcomed** Roopa Patel-Harjj from Validera and Claire Sutherland from RSM commenting that, at this time of the year, Validera's internal audit work is nearly completed for 2024/25 and RSM's work on the external audit of financial statements for 2024/25 is about to start.

- a. **Apologies for absence.** No apologies had been received, however the Chair advised members that Gillian Beasley, IEG governor and Audit Committee member, has recently resigned from the IEG Board for personal reasons.
- 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 new interests were declared.
- c. **Requests for urgent business:** None received

The Chair **thanked** the Governance Director for the AI summary and podcast issued with the agenda papers which members are finding useful.

2. MINUTES

- a. **Minutes of last meetings (IEG Audit and UCP Audit) held on 5th March 2025:** Both sets of minutes were **approved** as accurate records and for signature. (**ACTION 1**)
- b. **Matters arising from the minutes:** None
- c. **Actions from the minutes (Action Tracker):** Members **noted** the completed actions and received an update on the following:
 - *IEG Audit Action 5:* The minimum wage audit is still ongoing – nothing to update at the moment.
 - *IEG Audit Action 6:* APT Cash Recovery – this issue is not completed despite IEG having done everything it can. The matter is with the Treasury's solicitor, and it is hoped that a decision will be reached before year end.
 - *UCP Audit Action 2:* UCP GDPR data breach - no update on this issue. IEG has not received a response to the letter sent on its behalf from solicitors we have engaged in this matter. A full review of the incident has taken place - it should be noted that the family posed for this photograph with the events official photographer and notices were displayed throughout the venue re photography and its use. That said, no photographs including children will be used without explicit written consent to protect the organisation from these type of complaints.

The above three items to remain on the Action Tracker as outstanding (**ACTION 2**)

3. INTERNAL AUDIT

Roopa Patel-Harjj presented the Validera reports and members noted the following:

Internal Audit Progress Report 2024/25

- Of the ten planned audits, there is some work to complete as is usual at this time of year.
- The report on Financial controls just missed being finalised for this committee and is awaiting final sign off.
- The remaining two internal audits are to be completed in the next couple of weeks.
- Of the seven completed audits, overall assurance is substantial for four and adequate for three.
- In addition to the planned areas, two grant audits have been satisfactorily completed (SIF2/LSIF).

IT Health Check

- Substantial overall assurance.
- 4 actions in total: 1 amber and 3 green.
- All 4 recommendations agreed by management.

Higher Technical Qualifications (HTQs)

- Substantial – 1 green action and 1 blue item of good practice.
- Recommendation agreed by management.

2024/25 Follow up

- Undertaken to ensure that previous audit recommendations have been implemented and progress accurately reported to Audit Committee.
- Positive opinion in terms of accuracy, with a few housekeeping points raised.
- Level of overall assurance: adequate.

Members considered the following report from management:

Internal Audit Recommendations Tracker Report

- There has been really good progress in completing the internal audit recommendations with 12 completed, 9 still in progress and 2 remaining to be completed.
- 43 recommendations completed so far year to date, reflecting pro-active progress from managers across IEG.

The Committee was very **pleased** with the progress being made in actioning recommendations and the thoroughness of the reports from Validera offering IEG opportunities to further improve.

4. EXTERNAL AUDIT

Claire Sutherland, RSM, presented her reports:

Financial Statements Audit Planning (2024/25)

Members received the Audit Plan issued to IEG and noted the changes in the Plan from the previous year:

- Page 4 – change in the framework for regularity audit is being issued and this will be reflected in the engagement letter: *“The College Financial Handbook was published with an effective date of 1 August 2024; and the ACoP has been replaced by the ‘Framework and guide for external auditors and reporting accountants of colleges March 2025’. Our report will now be addressed to the Secretary of State for Education reflecting the recent machinery of government changes”*.
- Page 5 – the change in materiality is based on the change in forecast outturn (P9) finance report. However, audit sampling will be based on actual results – see below for further discussion.
- Page 8 – Risk No.5 (Assessment of Going Concern). This has been split between a lower risk (Group, IEG & QRS) and higher risk around UCP. UCP student numbers are creating a challenging financial situation, which is squeezed between inflationary rising costs and static income levels; therefore, an element of cost reduction is required to address this challenge. It was further explained that, following reclassification, IEG is no longer able to underwrite any liabilities for UCP and therefore this will be an audit focus.
- Page 8 – Risk No. 6 (Accommodation Strategy) – the nature of the risk has changed slightly due to the completion of the Centre for Green Technology (CGT) this financial year.
- Board approval for new STEM building in Peterborough: if this goes through, RSM will look at any costs associated with the build – costs will be an expense to I&E account at this stage in terms of treatment and will include spend on any reinforced autoclaved aerated concrete (RAAC) related issues.

The Committee was advised that the remainder of the Audit Plan is routine in accordance with audit standards and that the findings will come the November/December Audit and Board meetings. Management confirmed that the Audit Plan, including the separation of going concern risk for UCP, is appropriate.

Members discussed whether the materiality level, set at £1m, was appropriate and would result in all relevant matters, whatever the value, being referred to Committee. It was noted that the Group materiality level serves to drive the sampling and the sample sizes, covering a wide range of values and that the level is quite common in a not-for-profit organisation of IEG’s size. Members **agreed** that the materiality level was appropriate.

FE Emerging Issues Summer 2025

Members received an RSM overview of key changes within the sector, brought together, including:

- A New Statement of Recommended Practice (SORP)- two key areas of change are in relation to lease accounting and revenue recognition. The consultation closed for comment on 30 April 2025 and the changes will be effective for IEG for the period ending 31 July 2027.
- Results of survey around emerging risks: the top three most prevalent emerging risks are:
 - *Changes in government priorities:* new or changes in laws, policies and regulations affecting all businesses and individuals.
 - *Geo-political instability,* including fall-out from, and expansion of, conflicts.

- *Cyber attacks increasing.* Increased frequency and complexity of attacks and the ability to invest in defence. Attacks are becoming more disabling, coupled with loss of data in serious targeted attacks.
- Changes in the Financial Handbook
- Examples of contentious issues

The Committee:

- (a) was happy to **approve** the Financial Statements Audit Plan (2024/25);
- (b) agreed that the RSM Emerging Issues note is most informative and should be **shared** with the wider Board membership on TeamEngine (**ACTION 3**)
- (c) asked whether RSM has a similar emerging issues report on higher education matters that it might share (**ACTION 4**)

5. HMRC QRS MINIMUM WAGE AUDIT

This item was reported at Agenda Item 2c and it remains a work in progress. An update will be provided at the next meeting of the Audit Committee (**ACTION 5**)

6. PROCUREMENT REPORT

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

- *Top Suppliers Dominated by Capital Projects:* Lindum, Cleggs, and Princebuild are the highest-value suppliers due to large capital projects (i.e. CGT) and are expected to remain so for the rest of the year.
- *Key Expenditure Categories:* The top 20 suppliers cover major areas including construction, subcontracting, transport, awarding/exam body fees, IT, and utilities.
- *Inflationary Pressures:* While many top supplier costs are fixed, significant inflationary pressures persist, particularly post-April due to increases in national minimum wage and employer national insurance. This is notably impacting food, security, and waste services, prompting ongoing efforts to find savings.
- *Increase in Single Supplier Justifications:* Seventeen single supplier justifications were approved, an increasing trend, largely due to difficulties in obtaining multiple quotes even after extended efforts. The Procurement team continue to seek alternative suppliers.
- *Apprenticeship Sub-Contracting Tender:* One major tender for apprenticeship sub-contracting is at the award stage, with initial approval given by Finance and Resources and pending Board approval on July 3rd.
- *New Tender for Temporary Resources:* Following changes to QRS, a new tender will be issued to establish a framework of partner agencies for temporary staffing solutions.
- *Price avoidance:* £65k price avoidance achieved which is good.

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

7. FRAUD REPORT

The Committee received a report summarising the known frauds and attempted frauds suffered by IEG from 1 February – 31 May 2025. While there were no significant frauds during the period there was an increased number of attempted and actual frauds during this reporting period, which resulted in a data breach, and a member of staff being placed under investigation.

Members discussed:

- that of the 22 fraud attempts identified; four were RAG rated amber and the remained RAG rates green. Mitigations were clearly explained in each case;
- the following attempts, in relation to:
 - overtime or variable hours being falsely claimed;
 - an instance of attempted fraud from a person claiming to be from a supplier that owed IEG a large sum of money;
 - an issue raised whereby IEG was contacted by a member of the public who had purchased an IEG Chromebook from a car boot sale.
 - 1x GDPR breach where a parent had falsified an email trail to impersonate their child
- that generally, there were some odd things reported this quarter but they have been found and identified.

The Chair commented that the real commentary within this report relates to the student body and the comparative lack of attempted fraud given the size of the Group. It gives a strong sense of a IEG's culture of respect and integrity.

Members **noted** the effectiveness of controls against fraud and **thanked** the team for their continued efforts.

8. CYBER SECURITY REPORT

The Chief Operating Office presented a report providing an overview of cyber security across the Group for the period February – May 2025. Members noted that IEG effectively manages cybersecurity risks, with ongoing phishing campaigns, targeted staff training, and continuous monitoring of sector-wide threats resulting in limited issues during this period. The key points were summarised as follows:

Cyber attacks within the sector compared against IEG

- *Rise in UI Manipulation Phishing:* Towards the end of Q1 2025, there was a significant increase in phishing campaigns that manipulate user interfaces.
- *"DoubleClick Jacking" Emerges:* A new, sophisticated attack called "DoubleClick jacking" bypasses existing clickjacking protections. It exploits the brief interval between a user's two clicks, rapidly switching to a sensitive window to trick the user into granting malicious applications extensive permissions, potentially leading to account takeovers. It is easy to fall for.
- *NCSC Recommendations and IEG's Status:* The National Cyber Security Centre (NCSC) recommends several measures to combat UI manipulation in phishing:
 - User Education and Awareness: Already in place at IEG.
 - Multi-Factor Authentication (MFA): Already in place at IEG for staff, but not for students.

- EDR / MDR (Endpoint Detection and Response / Managed Detection and Response): Already in place at IEG.
- PowerShell Controls: Already in place at IEG.
- Application Controls: Already in place at IEG.
- **Continuous Monitoring:** IEG's cybersecurity is continuously monitored and protected 24/7 by a Managed Threat Protection service partner.
- **Sector Attack Trends (Q1 2025):** The number of cyber-attacks in the FE/HE sector varied, with a notable surge in the HE sector in April 2025 (33 incidents) compared to February and March. East Midlands incidents remained relatively consistent.
- **Lessons learned:** following the recent high profile cyber-attacks on well-known retailers, JISC and the NCSC held an emergency meeting and the advice, security measures and monitoring standards discussed and recommended are all currently in place across the IEG IT network. Some areas were identified which IEG will explore further including improvements to the Business Continuity Plan relating to the loss of IT systems. The Plan is being evolved in light of the new changes coming and progress will be reported to the next meeting (**ACTION 6**).
- **Risks:** the recent huge attacks are included on the risk register.

IEG Penetration testing - requirement to tighten security posture

- A summary of actions taken during this period in response to the JISC Penetration testing report (July 2024) was received with members noting progress being made against the issues identified. It is expected that all actions will be completed by the end of the summer.

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 considered volumes and types of threats. There were 48,241 instances in February, dropping 117% to 2,232 in April reflecting a significant drop in FE cyber attacks in April.

Spam email protection

- Members received details of the instances of spam protection during Feb/Mar/Apr 2025, noting that the checks and protections are in place.

Commenting that we need absolute confidence in our protections and it was good to see the planned developments, the Committee **noted** the report with **thanks** and appreciation to the team for their continued diligent work.

9. RISK REPORT

The Committee received a report providing a summary of the June 2025 review of the risk environment, encompassing four distinct risk registers:

- **IEG Group Board Assurance Framework (BAF):** Focuses on strategic risks that could impact the Group's ability to achieve its objectives.
- **UCP Board Assurance Framework (BAF):** Similar to the IEG BAF, but specifically for UCP's strategic objectives.
- **IEG Group Operational Risk Register:** Details risks related to the day-to-day operations of the entire IEG Group.
- **UCP Operational Risk Register:** Covers operational risks specific to UCP.

It was noted that, while there is some overlap, this duplication is intentional to ensure each register can be fully reported to the respective UCP Council and IEG Board. Members discussed the following:

IEG Group Board Assurance Framework

- *Financial Risk* (Increased): This has been revised upwards due to:
 - Uncertainty surrounding 2025/26 funding, although this has become clearer.
 - Cost pressures arising from the national schoolteacher pay award.
 - The financial position of UCP, which, despite improving, will be significantly impacted by September 2025 enrolment figures.
- *Safeguarding Risk* (Reduced): This is a seasonal reduction, typical for the summer period.
- *Enrolment Risk* (Increased): This rise is attributed to challenges from reduced Adult funding allocations and the associated reputational management.

The CFO commented that, since the report was written, funding allocations have been received and planning for 2025/26 is very tricky: there is huge student demand but a low level of confidence that IEG will receive in year 16-18 funding to cover growth and, whilst the funding rate changes are positive, the plan is having to be written again. The reduction in adult skills funding is another significant issue with demand far outweighing available funds for 2025/26 and which will require very careful in year monitoring to ensure that there is no overspend. It was advised that this will be added to the internal audit plan next year (**ACTION 7**).

It was also recognised that the onboarding of QRS is a big challenge.

The Committee **reviewed** and **supported** the CFO's reported increased risks, decreased risks, new risks and removed risks. The report was duly **noted** and members were **pleased** to see that the risk register is dynamic and being used to protect the Group's activities.

10. DfE FINANCIAL STATEMENT REVIEW LETTER & RESPONSE - JUNE 2025

The Committee reviewed a letter from the DfE's Funding and Financial Oversight Directorate after their review of the December 31, 2024, financial return (which included financial statements, external audit findings, and the Audit Committee's annual report) and the IEG response.

Key points:

- The DfE raised three specific points:
 1. Request for details on one "red" internal audit finding from 2023/24.
 2. Identification of a missing response in the external audit findings report.
 3. A view that the external auditor's statement did not align with the OfS accounts direction.
- IEG submitted a comprehensive response detailing the "red" internal audit recommendation, providing an updated external audit findings report

response, and including feedback from RSM (the external auditors) on its statement.

- IEG believes its response sufficiently addresses the first two DfE concerns.
- RSM will directly engage with the DfE on the third concern regarding the external auditor's statement and report back to management (**ACTION 8**).
- As of the report's writing, no further communication had been received from the DfE.

Members asked Claire Sutherland (RSM) whether this issue had been raised with any other clients and were advised that it has not. She also advised that it is the same report as submitted in previous years and RSM will be robustly challenging the DfE.

The Committee **noted** the issue and was content with the response provided by IEG. It will await an update report at its next meeting (**ACTION 9**).

11. REVIEW OF CONFIDENTIAL MINUTES 2023/24 AND 2024/25 (TO DATE)

In line with good practice guidance, the Committee was asked to consider minutes designated as confidential in 2023/24 and 2024/25 to decide whether to approve that they (a) remain confidential or (b) they be made public.

A listing and synopsis of all confidential minutes was considered and the Committee **agreed** the following action for the confidential minutes:

- *Finance & Resources Committee – 13th June 2023*: Item relating to the CGT costs (commercially sensitive) – minutes to be made public as the build project is now completed (**ACTION 10**).
- *Corporation Board – 4th March 2025*: Governance Director update – minutes to remain confidential as personally sensitive.
- All minutes relating to SPH pay awards to remain confidential as they contain personally sensitive information.
- All minutes of the Search, Governance & Remuneration Committee and the QRS Board to continue to remain confidential due to personally sensitive information.
- All minutes relating to City College Peterborough Foundation, UCP Finance Review and QRS Agency Implementation Plan to remain confidential as the issues remain ongoing.
- All minutes relating to staff pay awards to be reviewed by the Governance Director to consider whether they should be partially redacted or could be released in full. The Governance Director will provide a recommendation for Committee approval (**ACTION 11**).

The Committee further **agreed** that minutes remaining confidential will be reviewed again in June 2026 (**ACTION 12**).

12. URGENT BUSINESS (ITEM 1C REFERS)

None.

13. DATES OF AUDIT COMMITTEE MEETINGS 2025/26

The Committee **considered** and **agreed** the proposed Committee meeting dates for 2025/26:

Wed	24 th Sep 2025	Online
Wed	26 th Nov 2025	Online
Wed	25 th Feb 2026	Online
Wed	20 th May 2026	Online

(Note: subsequent to the meeting, Members have collectively agreed that the start time for meetings will move to 5:00pm).

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

None

15. ANY OTHER BUSINESS

On behalf of the Committee and in light of his upcoming retirement from the Board in July 2025, the Chair thanked Martin Ballard for his many years of service and loyal support, first as Audit Committee Chair and then as a firm supporter of the Chair when the role was handed over three years ago. Members have enjoyed his contributions, probing questions and for holding us to account on sustainability, and it has been an absolute pleasure to work alongside Martin.

In response, Martin spoke of his pleasure in working with colleagues, the enjoyment he has had from the audit test work and the challenge from external and internal audit colleagues. He asked colleagues to keep it going strong, as the work is valuable, and to remain inquisitive.

The Committee noted that there is a current recruitment campaign underway for new governors and membership of the Audit Committee will be reviewed in the Autumn (**ACTION 13**).

Meeting closed at 6.30pm