

Minutes of the meeting of the Inspire Education Group (IEG) Audit Committee (AC) held at 1630 hrs on 29 November 2022 in the Boardroom, Peterborough College.

<b>Present</b>	Martin Ballard (Chair)	Mark Haydon	Tony Keeling	Qun Yang
<b>In Attendance</b>	Joanne Ulyatt (Governance Director)	Lee Glover (Haines Watts)	Louise Perry (CFO)	Rachel Nicholls (CEO)
	Claire Sutherland (RSM)			
<b>Apologies</b>	Gillian Beasley			

#### 14/22 ELIGIBILITY, QUORUM, DECLARATION INTERESTS AND MEMBERS

- No apologies were received.
- 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.
- There was one request for additional business by MB noted at item 25.

#### 15/22 STANDING ITEMS

- Minutes from the last meeting held on 20.09.22 were confirmed for signature. **(Action 5)**
- Actions from the 20.09.22 meeting:

<b>See referenced minute for full action.</b>		<b>Resp</b>
<b>Action 1</b>	2/22b. Last Minutes (20.06.22) confirmed for signature	<b>Complete</b>
<b>Action 2</b>	3/22 Appointment of Chair recommended to IEG Corporation Board	
<b>Action 3</b>	7/22c Exec Team to review Audit Plan re Marketing/Social Media	
<b>Action 4</b>	10/22 Amendments to policies recommended to Board for approval	

**The information was received and noted;  
 Actions had been noted. (Action Register at end of document).**

#### 16/22 EXTERNAL AUDIT (IEG)

- RSM presented the draft Audit Findings report. The Executive Summary summarises key findings. Progress is similar to this time last year with a few areas of work still to complete. The biggest area of work still to complete is the consolidation of financial statements.
- Risks identified at planning stage and responses to those were outlined. Sample sizes were noted. Findings are primarily control recommendations and free from material misstatement
- The pension scheme liability was discussed in terms of the significant swing from the previous year position primarily caused by the change to discount assumption and this movement has been seen across the sector. Pension liability is an incredibly volatile number in the accounts. The extreme swing noted is comparable to other colleges and the valuation for accounting purposes is very different to an actuary valuation and it is that which is used. All assumptions have been benchmarked and there is a very helpful accompanying report from actuaries that provides more detail on why the assumptions are as they are; to be circulated to governors **(Action 6)** An announcement was made today advising that colleges are to be re-classified public sector and therefore the insolvency regime may disappear and the net liability will then also matter less.
- The Accommodation Strategy posed one challenge from the auditors in relation to the Centre for Green Technology and costs capitalised on the balance sheet. The forecast cost is circa £12m with £2.2m funding to date secured. Further grants have been applied for. Accounting standards are clear that costs should only be capitalised where there is certainty that a project will go ahead. At this stage there appears to be sufficient certainty that it will go ahead considering grants bid for and a paper prepared by LP with options

for moving the project forward. The re-classification decision of the ONS causes a little uncertainty as it eliminates the option to undertake commercial borrowing and without this option it is not clear whether it would still go ahead. RSM are assured that IEG is committed to the new build and that there is no alternative from a capacity perspective. It is not material in terms of the amount but it would cause a hit on the income and expenditure in the future if does not go ahead. A decision from the CPCA bid is pending tomorrow and a paper is to be taken to Board on 13 December for a decision to be made. If the bid is refused then it should probably be written off, but if approved then there should be further discussion and agreement to keep it as capital. CPCA did not say it had to be capitalised but there is a repayment risk if the building does not go ahead.

- e. Risks identified during the audit were explained, including trade debtors in UCP. The majority of the bad debts relate to ARU. As part of the JV they had a financial interest but they no longer have that incentive anymore as they get paid a fixed fee from IEG regardless of whether they recover the debts or not. Work is underway to better understand the situation and what can be done moving forward.
- f. Holiday pay accrual work was finished earlier in the week and is now under review. This relates to additional liability of £166k as a result of the Harpur v Brazel legal case.
- g. Some minor adjustments to financial statements are required but are mostly presentational in nature.

**The information was received and noted.**

**Actions had been noted.** (Action Register at end of document).

## **17/22 INTERNAL AUDIT**

### **a. Phase 3 Reports**

The Environmental Reporting audit outcome was presented, giving substantial assurance with one amber and two green recommendations. All recommendations were accepted by management.

### **b. 2022/23 Draft Audit Reports**

The HR audit brief, annotated with management comments and feedback, was provided. Governors felt the scope was well covered and had no further input.

### **c. Annual Report 2021/22**

A summary of all audit reports completed over the 2021/22 academic year was presented, including the outcomes and recommendations from each and an overall opinion of adequate and effective risk management, governance and control processes.

### **d. 2022/23 Internal Audit Progress Report**

- (i) A Follow-Up piece is expected imminently now to wrap up for last year.
- (ii) Audit briefs have all been issued for the 2022/23 year. All planning is complete and work is underway
- (iii) The audit work undertaken for UCP was explained. This year it was considered a better use of time to have one extra day added on to IEG audits to give UCP Audit Committee assurance that the work being carried out by IEG in terms of shared services is delivering for UCP.
- (iv) Recommendations trackers on which the Follow-Up audit is based are all up to date and will continue to be updated as and when new audits are completed.
- (v) There was some discussion as to how the UCP Audit work feeds in to IEG Audit Committee. UCP Audit Committee minutes are made available to IEG governors on Board Intelligence and updates at meetings are provided as and when required.

### **e. 2021/22 UCP Audit Committee Work**

The approach to Internal Audit for UCP was outlined. The annual report was provided with a positive annual opinion.

**The information was received and noted.**

## **18/22 IEG AUDIT COMMITTEE ANNUAL REPORT**

- a. The Audit Committee Annual Report was presented. It represents an adequate summary of the work undertaken over the year. The opinion of the auditors with regards to the Follow Up audit is pending but will be populated once received.
- b. LG suggested an explicit need to talk around the ToR and the External Auditors term of contract, stating the contractual terms and when tendered. The appointment of auditors

and a paragraph in terms of what Internal Audit do would also be desirable. GD to update in preparation for presentation to the Corporation Board. **(Action 7)**

**The information was received and noted.**

**Actions had been noted. (Register at end of document).**

#### **19/22 RISK MANAGEMENT REPORT – BOARD ASSURANCE FRAMEWORK & CONTINGENCY RISK REGISTER**

- a. A generally steady position with no changes to residual risk scores on key risks reported. November is still too early to downgrade those risks that naturally peak at the beginning of year but they are expected to decline after Christmas.
- b. Action plans have been updated.
- c. The Contingency Risk Register has been reviewed in November with some changes but generally only one risk that increased around staffing for high need learners with 1:1 support; challenges with recruitment and retention in this area was one of the reasons for early changes to pay at the beginning of the year. New ways to help manage this more successfully are being considered but it does present a constant challenge.
- d. The risk around Addict Dance moving away from UCP was brought to the committee's attention. The direction of travel should be known by the Corporation Board meeting in December.

**The information was received and noted.**

#### **20/22 FRAUD REPORT**

Details of all known incidences were shared, namely six student thefts; all low value and nothing significant. The student disciplinary process and restorative justice is generally used in these instances.

**The information was received and noted.**

#### **21/22 MODERN SLAVERY ANNUAL STATEMENT**

- a. The statement was presented which has been built on since last year to include additional information on due diligence, procurement processes and high-risk supply chains. The Committee were asked to recommend to the Corporation Board for approval. The statement must be published on the IEG website within 6 months of year end.
- b. Governors requested an additional statement be added to express that IEG would not knowingly invest in any portfolio that compromises the policy on Modern Slavery. How awareness of the policy will be raised amongst the staff and student population will also be included in the 2022/23 developments section of the statement. Finally, it was requested that a statement about the supply chain in relation to sub-contractors be added to make explicit the due diligence carried out in this regard. **(Action 8)**

**The information was received and noted.**

**The revised report to be circulated to Audit Committee members for approval before presenting to the Corporation Board in December.**

#### **22/22 CYBER SECURITY REPORT**

- a. Governors noted the excellent report and work being done around cyber security. Most elements are working at or above the Cyber Essentials Plus requirements but have not yet had an external reviewer to assess for the certification.
- b. MB offered to put the Group Director of IT and Digital Innovation in touch with a contact who has achieved the Cyber Essentials Plus and ISO 27001 accreditation.

**The information was received and noted.**

#### **23/22 ANNUAL REVIEW OF CONFIDENTIAL MINUTES 2021/22**

The report was presented and recommendations agreed.

**The information was received and noted.**

**The report was recommended to the Corporation Board for approval. (Action 9)**

**24/22 RECORD OF SEALINGS 2021/22**

The report was presented. The committee noted the ongoing requirement to review annually and welcomed the reminder of the correct application of the corporation seal.

The information was received and noted.

**25/22 URGENT BUSINESS**

MB advised he has accepted an offer of employment, still within in the construction sector but with a new employer and in an elevated role and consequently, with these increased responsibilities, feels it will reduce his capacity for involvement with IEG. He therefore expressed his intention to stand down as Chair of the committee. Collective thanks to MB was noted for chairing the committee.

The Committee recommend the appointment of Tony Keeling as Chair of Audit Committee to the Corporation Board for approval. (Action 10)

**26/22 DATE OF NEXT MEETING: THURSDAY 30 MARCH 2023****27/22 ITEMS AUDITORS WISH TO RAISE**

None.

**ACTION REGISTER**

<b>See referenced minute for full action.</b>		<b>Resp</b>	<b>Date</b>
<b>Action 5</b>	<b>15/22a</b> Minutes of last meeting (20.09.22) confirmed for signature	<b>GD</b>	
<b>Action 6</b>	<b>16/22c</b> Report from actuaries providing further detail on pension liability assumptions to be circulated to governors	<b>CFO</b>	<b>wie</b>
<b>Action 7</b>	<b>18/22b</b> AC Annual Report to be updated to include additions recommended by IAs	<b>GD</b>	<b>13/12/22</b>
<b>Action 8</b>	<b>21/22b</b> Modern Slavery Statement to be updated with suggested inclusions	<b>CFO</b>	<b>13/12/22</b>
<b>Action 9</b>	<b>23/22</b> Annual Review of Confidential Minutes recommended to Corporation Board for approval	<b>GD</b>	<b>13/12/22</b>
<b>Action 10</b>	<b>25/22</b> Appointment of TK as Chair of Committee recommended to Corporation Board for approval	<b>GD</b>	<b>13/12/22</b>