CORPORATION BOARD of UNITED COLLEGES GROUP
Minutes of the Audit Committee
Monday 10 June 2024 6 pm – by Zoom

Members Present: Derrick Betts (Chair), Stephen Grainge, Andrew Dowsett, Amish Nathwani.

In attendance: Zoë Lawrence, Stephen Davis, James Wilson*, Shachi Blakemore* (Buzzacott), Leisyen Cox (Scrutton Bland)
*for relevant agenda items only

1	**Welcome and apologies for absence** DB welcomed everyone to the meeting. Apologies were received from Grainne Brankin.
2	**Declarations of Interest in the agenda items** There were no declarations of interest.
3	**Minutes of the Audit Committee held on 28 February 2024** The minutes were approved as an accurate record. **Matters Arising** There were no matters arising.
4	**STRATEGIC** *(Paper circulated in advance)* i. **Student Outcomes and Experience Risk Register – Deep Dive** JW presented his paper focusing on the two main risks that were above risk tolerance. He explained how the inability to attract and retain skilled teachers following the pandemic had had knock on affects for the quality of teaching and learning (T&L). The lack of staff in some areas of the curriculum had been dysfunctional affecting relationships with students, the ability to develop staff and define T&L requirements which impacted student outcomes. JW discussed some of the mitigating actions which included increasing the proportion of permanent staff to hourly paid lecturers, CPD based on the key elements of the 2022 Ofsted inspection, development of a TLA team, development coaches, and progress coaches for student attendance. The impact of these interventions was generally positive in that in 2023/24 retention and achievement for all provision types had improved towards or above the national rate. AN welcomed the news on improved achievement and asked what JW thought the key enabler was. JW said that the stability of the teaching workforce was a key component together with trauma informed learning approaches, and action plans for attendance. The most powerful being the relationship and tenacity between the teacher and student to maintain engagement. Every route was being exhausted to enable students to achieve. SD said that it was a holistic approach with MIS colleagues and information contributing to support the activities in the classroom. Overall, the college was now better at delivering a positive student journey. The investment in T&L supported by the Corporation through the deficit budget was part of the solution. The college worked in a matrix instead of being siloed which was beneficial.

	AN asked if JW knew the current ratio of permanent to hourly paid staff and the number of teaching vacancies. JW was not sure of the figures but that Engineering Construction and the Built Environment was one of the hardest curriculum areas to recruit to. UCG was in a sound position regarding English and maths teachers though this was a problem nationally. AN asked whether there were any concerns about student experience or was it thought that students were generally happy at UCG. JW referred to the BSC which included attendance, retention and student survey KPIs which all showed improvements indicating a positive student experience. He also noted that the MIS and management information risk had been removed from the risk register. The impact of having access to reliable timely data was also of benefit. SG asked about the curriculum reforms and asked what impact the upcoming general election would have on this. JW said that it was difficult to anticipate but he hoped that there would be a pause to re-assess as the pace of change was challenging and a risk. The removal of many level 3 qualifications could be of significant impact for UCG's learners. The position the Labour party was taking should they win the election was currently unclear. **ii. Strategic Risk Register** SD explained that this risk register had not changed significantly since the previous version provided to the Committee. The financial risks and those of the Wembley Park Project had been discussed in detail at the previous meeting and at the P&I Committee in May. The risk concerning staff engagement had been lowered to below risk tolerance, though the GSR Committee had discussed this and considered that it was too soon and sought for it to be reinstated as a strategic risk which would be completed before the Corporation meeting in July. SG asked how real the risk was of the college running out of cash due to the impact of the delays on the capital project. SD said that there had been some positive movement on the social housing element which may move things forward. However, the risks included managing the loan repayments, the OOC running costs, and the UCU pay negotiations against a near static income. Revenue was directly linked to student numbers and adult budget allocation was capped. AN suggested providing more narrative about the approaches being taken with the capital project in the risk register.
5	**EXTERNAL AND INTERNAL AUDIT** *(Papers circulated in advance)* **i. External Audit Strategy – Letters of Engagement** SB referred to the three documents which had been shared with the Committee. Two of these were letters of engagement which had been updated following the ONS reclassification of colleges with references to Managing Public Money (MPM) and reissued. The third was the External Audit Strategy which set out the timetable, fees and risks being considered as part of this year's external audit. SB explained that the primary purpose of the audit was to provide assurance on the financial information and an assessment of the college and its subsidiaries being going concerns. The items that fed into those assessments included the internal audits, discussions with the finance team, review of items that are capitalised as part of the Wembley Project, costs incurred and their validity. This would include any changes up to the time of the signing of the accounts in December 2024. The going concern assessment would take into account the college's financial health against ESFA parameters, future assumptions on financing and budget, banking covenants and stress testing those. SB also highlighted the potential risk of irregularity concerning the trading subsidiary which had recently been making losses and was receiving support from the College. The audit would include a review

of the legal and tax advice received and what the plans were for recovering the intercompany debt. SB asked if any member of the committee was aware of any additional risks or potentially fraudulent activity that should be included in the audit. No further additions were provided were provided from committee members.

SG asked if trading entities were common in the FE sector. SB said that some colleges had trading subsidiaries to generate profits which were gift aided to the college. The subsidiary was a feature of this audit because in recent years since the pandemic it had been loss making and the ESFA were focusing on this following the reclassification of colleges as public sector. There may also be charity law implications. At the last audit there was an amount owed to the college from the subsidiary and this year's audit would consider whether it was recoverable, and the options going forward. It was hoped that there would be more clarity on transactions which were included in the company trading and those which were of the college. It was noted that the subsidiary was not included in the monthly management accounts shared with the Corporation. SD said that professional advice was being taken which would provide clarity on the objects of the subsidiary. He anticipated that the position would be resolved into a reasonable position prior to the audit taking place in that there would be no regularity breach and losses would not continue into the medium-term.

AD commented that the college did not present a specific paper on going-concern for the corporation last year, though the audit relied on the college's assessment. SB explained that the college does provide a going concern assessment that they audit and that this was in place the previous year. It would be for the Corporation to be specific about what would be shared with it. It was the intention to provide a specific paper on this to the Corporation this year. In previous years the information had been provided within the other papers and not brought together.

SB also highlighted the new requirement in the College Financial Handbook for a reserves policy. Members discussed what this may include and the level of reserves expected which was anticipated to be in the region of 6% but would vary depending on the activities of individual colleges. The policy could also be aspirational with explanations on how it matches actual. Further guidance on this was expected from the Association of Colleges. A reserves policy needed to be in place for the 2024/25 external audit.

AD asked about the increase in fees and the justification for this compared to the previous year. There had been a total increase of 22 %. SB said that 9% of this was accounted for in staff cost inflation and the remaining amount was in response to the higher risks on the capital project and trading company. It was hoped that delays to completing the audit could be managed this year to prevent any additional costs. The additional charges made the previous year were included in this paper for transparency.

SB left the meeting

On reflection the committee were not satisfied with the premises provided for the 22% increase in the fee. The delays in completing the previous year's audit was discussed. A different approach may save time. It was agreed for DB to raise this point with SB following the meeting.

ii. Internal Audit Reports

a. **Payroll and Pensions**

LC reported that no significant issues were identified as part of this audit and there was good segregation of roles. A small number of issues were raised concerning self-service changes to bank details, and administrative errors in relation to pro-rata pay and pension scheme which had been corrected. These issues were minor and would not have any financial implications or impact the external audit. The audit received significant assurance.

b. **Curriculum Planning / course viability**
LC said that this audit highlighted good practice in relation to curriculum intent planning, effective use of employer feedback, responsiveness to local needs, and use of the 4cast system. A low-risk recommendation was made to include overheads and assessment costs in the course contribution. SD acknowledged this and that it had been implemented and moved a step further to an income per FTE measure. AN noted that over 700 courses were delivered by the college. This audit received significant assurance.

c. **Strategic Planning**
This audit also received significant assurance for the appropriate processes being undertaken, the balance score card being effective and providing clear oversight. There was one area of improvement identified to use a consistent format for the college operational plans. AN asked about this small issue and whether the audit could be rated as strong. LC explained that strong assurance was given where there were no recommendations, but accepted the point raised. SD said that management accepted the recommendation as it was useful for the improvement journey of the college.

d. **Follow Up**
This audit had received reasonable assurance as there were still 18 recommendations which had not been completed or were partially complete. Several of these related to cyber security and IT. The original due dates for completion were included in the report. AN suggested that there was insufficient priority being given to these recommendations and it was disappointing that they had not been completed. SD explained that some recommendations for IT were hindered by available budget, though others were performance issues which would be followed up. He assured the committee that the spend on cyber security as agreed by the F&R Committee last term would be going ahead but had been delayed until the budget position was clearer. This would complete one of the recommendations.

iii. IA Plan and Progress Report
This paper confirmed that all audits had been completed with one left to report at the October 2024 meeting of the Audit Committee.

iv. Needs Assessment & IA Plan for 2024/25
LC presented the assessment and discussed the selection of audits being proposed for 2024/25. Members were generally content with those selected of which there were 8 in total plus the follow up. SD suggested that it may be of benefit to include an audit on student attendance, participation and retention in place of the Gatsby benchmarks audit as this would be more useful in the run up to an Ofsted inspection, particularly if it were to take place early in the academic year. Audit members were supportive of this suggestion and that it may require an additional day. AN suggested a more detailed look at the balance score card and whether the data was robust against the strategic priorities. It was considered that this had been covered in other audits including the recent strategic planning audit and also

	the proposed management information audit for next year. Members agreed the above change and that the Internal Audit Plan would reflect this.
6	**AOB** *(Reports circulated in advance)* **I. Health and Safety Update** This paper was provided for information. AD commented about the vacant positions on the Health and Safety Committee. It was anticipated that these would be filled or removed. SD highlighted the IOSH training that all senior leaders were completing. **II. CONFIDENTIAL ITEM – Investigation** (see confidential minutes)
7	**Date of next meeting** **October 2024 (TBC)** Meeting closed at 8.15pm

Minutes taken by Zoë Lawrence 10 June 2024

ACTIONS

REF	ACTION	LEAD	STATUS
5iv	To amend the IA Plan for 2024/5 to include an audit on attendance, participation and retention and for this to take place early in the academic year.	**LC**	**Complete**
6i	To report on the actions taken in response to the outcome of the investigation at the next Audit meeting	**ZL**	**On agenda**

SIGNED: ………………………………………….. **Date:**

Derrick Betts, Chair