

CORPORATION BOARD of UNITED COLLEGES GROUP
Minutes of the Audit Committee
Monday 12 June 2023 6 pm – by Zoom

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

In attendance: Zoë Lawrence, Amanda Thorneycroft, Floyd Milligan*, Paul Goddard (Scrutton Bland), Shachi Blakemore (Buzzacott)*, Melissa Drayson (External reviewer).

*for relevant agenda item only

1	<p>Welcome and apologies for absence DB welcomed everyone to the meeting. He also introduced SG and AD as new members and MD as an observer as part of her external review of governance.</p>
2	<p>Declarations of Interest in the agenda items There were no declarations of interest.</p>
3	<p>Minutes of the Audit Committee held on 01 March 2023 The minutes were approved as an accurate record.</p> <p>Matters Arising DB raised one item relating to staff compliance with cyber security training which was discussed at the previous meeting. He asked what progress had been made on this. AT reported that this had improved from 25 to 52% and that the denominator was being reconsidered as this currently included staff who did not have access to IT (such as cleaners). The percentage was therefore considered to be higher. It was the plan to include cyber security training in the PDR process going forward.</p>
4	<p>STRATEGIC <i>(Papers circulated in advance)</i></p> <p>i. Estates and Facilities – Deep Dive FM presented his paper setting out the main estates and facilities risks. He explained that some of these risks were constant such as the failure of key infrastructure assets or utilities disruption. He also highlighted the use of reinforced aerated autoclaved concrete which was used in many public buildings over the 1950-80s which was now failing and causing collapse. An assessment was taking place with the advice of structural engineers, as its use was considered to be part of three of the current UCG campuses. Maida Vale was the campus of highest concern as it was being retained. Wembley and Willesden campuses were due for sale and demolition. Support was being provided from the DfE on this issue but the policy for the longer term was for the concrete to be replaced. SG asked if there had been examples of catastrophic failure of this type of concrete and if insurance was in place. FM confirmed both these points. GB commented that the mitigations for this would come at a cost and asked how this was reflected in the risk register. FM said that there was currently some capital investment to support but should that reduce in future the risk would increase. Members welcomed this risk register deep dive and thanked FM for his presentation.</p> <p>ii. Strategic Risk Register AT provided a summary of the risks that had increased or decreased, any new risks and ones that could be removed. There were 7 in total, and she mentioned that there may be an</p>

	<p>element of duplication coming up from a range of operational risk registers. GB commented that the process was clear and she appreciated the hierarchy between the operational and strategic risk registers. She welcomed the huge progress which had been made on improving the risk process. She did not suggest that this should change, however thought there may be benefit in a reality check of the strategic risks from a top-down perspective by the SLT and any additions made of key existential risks that had not come through the operational risk registers. Members supported this idea to consider risks which were high impact but low frequency and for AT to discuss this further with SD.</p> <p>iii. ONS Reclassification</p> <p>Members noted the information and reference documents which had been provided to the Audit Committee in relation to the Corporation’s responsibilities for the new requirements from HMT’s Managing Public Money. Members were asked to familiarise themselves with these and SB said that she would resend a webinar link on the subject to support members.</p>
5	<p>INTERNAL AUDIT & EXTERNAL AUDIT</p> <p>i. External Audit Strategy 2022/23 – Letter of Engagement <i>(Documents circulated in advance)</i></p> <p>SB provided a summary of the main points of her letter of engagement. She commented that additional technical advice would be taken for the treatment of the income received from the sale of the right to light at the Olympic Office Centre, and the capitalising of the costs from the Wembley project. She also highlighted the more rules-based approach following the reclassification of colleges as central government, and that the required permissions and approvals from the DfE would be checked as part of the audit process. The banking covenants with Barclays and the reliance on the student data internal audit were also referred. SB noted that a change to the auditing standard ISA 315 would be implemented which related to IT pertaining to financial data and HR systems and this would be reflected in the audit report. The recent cyber security audits would also be taken into account. SB acknowledged the recruitment difficulties across the sector and how this had impacted on costs through the use of agency staff or holding vacancies.</p> <p>SG asked how the EA’s approach compared with that taken with other colleges. SB said that they were reasonably content and satisfied that there was a transparent approach and work took place early on to agree that the accounting treatment was appropriate and any changes were not material.</p> <p>AN asked to what degree the EA would test that MPM was being implemented. SB said that it would review where this impacted processes and would complete sample checks for debt write offs and permissions for borrowing facilities, principals pay and VFM thresholds. They would also expect to see an updated finance manual, and training of finance and HR staff.</p> <p>AD asked what the additional work for ISA 315 would comprise. SB said that this would be mainly substantive and high level, and not duplicate that of IA, but would likely include policy compliance, two factor authentication of devices, and that all devices were issued through the IT department. Additionally, there would be checks on who can access MIS, that access was removed when staff left, and control and system checks between HR and finance particularly for automated journals.</p> <p>AF asked how the requirements of the ONS reclassification were reflected in the Financial Statements. SB said that the regularity self-assessment questionnaire had been updated with new sections to reflect the new requirements and this would form part of the regularity audit opinion. The Casterbridge model accounts had been updated to include the required</p>

disclosures, including the self-declaration of compliance which was requested of colleges in March 2023. AT confirmed that this had been completed and returned and that the Standing Financial Instructions had been updated to reflect the policy changes. She also commented that an application for bridging finance had already been made to the DfE, though the existing arrangement with Brent would not be curtailed until the former had been confirmed.

AF asked about SB's view on the definition of 'repercussive' as referred in MPM. SB said that this usually related to something that caused a knock-on effect in other organisations or was to negatively hit the media in any way that would affect the college's reputation. She provided an example of a college's trading subsidiary winding down. She recommended letting the ESFA know formally if in any doubt.

It was noted that additional days for ISA 315 had been included and an inflationary cost increase.

ii. Internal Audit Reports

(Documents circulated in advance)

a) Budget Controls and Cashflows

PG presented the main findings of this report which had received significant assurance. He noted that there was a trend in other areas of the sector for the budget reforecast to be completed earlier in the academic year though understood UCG's decision for taking this later. He noted that key costings were taken from the MIS and there was some automation for curriculum planning through the new 4Cast system. He commented that improvements could be made to the support provided to budget holders, that an automated live reporting system would be better than the current monthly reports that were prepared manually, and that some of the vacancies had been held for a number of years and whether these were now obsolete.

AT explained that the budget and staff establishment was arrived at through a top down and bottom-up approach which took account of new posts and vacancies. This was then matched to curriculum delivery and the required number of teaching hours. Vacancies were reset every year. Should cost savings be needed the vacant posts were stripped out first before redundancies were considered.

AN asked what it would take to receive a strong assurance on this IA. PG said that the report would be clear with no recommendations. SG asked about the benchmarking information in the report. PG said that this was a comparator against the other colleges in their client base.

b) Capital Project

PG set out the rules of engagement for the IA which had received significant assurance, in particular the required expertise for the capital project, that there was evidence of the approval processes, with decisions supported with the right checks and balances. He highlighted one low risk recommendations concerning the retention of project documentation which could not be sourced at the time of the audit due to a change in project personnel. It was agreed that given the size and importance of the project that regular similar audits take place in future years. GB stressed the importance of retaining accurate and retrievable records and that this may need the support of a more senior member of staff.

	<p>c) Health and Safety PG said that this IA had received reasonable assurance which was not unusual in the sector given the extent of the H&S remit and complexities. He mentioned the areas of good practice with the recommendation to implement annual training for all staff. AT reported that it was the intention for this to be in place by August 2023. H&S training was currently not included in the PDR though part of staff induction. A detailed action plan had been prepared which would be shared with the committee for comment. It was agreed that the completion rate for this training would be included in the next follow up IA in 2023/24, though members said that they would welcome a brief update at the October meeting.</p> <p>d) Follow Up PG said that there were 27 completed recommendations and 16 in the process of being completed, so none completely outstanding. Those in the process of being completed would be done by the end of December 2023, which would mean that they would carry forward into the 2023/24 follow up audit. AN asked on the age of the recommendations. AT had completed a lot of work on this, but there continued to be some audit actions from 2020/21. AT said that some of the actions had evolved in some areas to keep with IT developments. AN suggested that it was important to keep to the recommendation so it could be closed out. He was interested to know which had been implemented by the original date and which had aged. It was agreed to bring an age analysis to the next meeting.</p> <p>iii. IA Plan and Progress Report This plan and progress report for the existing IAs in 2022/23 was provided for information. Members had no comments.</p> <p>iv. IA Plan for 2023/24 The IA plan for 2023/24 was shared for the committee to consider, mapped against the key risks and audit universe of prior audits. 8 IAs were proposed plus the follow-up audit. SG asked how risk and governance would be reported to the Corporation. PG said that a risk management audit had recently been undertaken and the approach was being given a good level of scrutiny. External Governance Reviews were taking place in many colleges including UCG which provided assurance in that area.</p> <p>AF asked if there should be an audit covering the ONS reclassification requirements. PG suggested that this may be more appropriate once the college handbook had been issued and also recognised that many of the aspects would be picked up in the external audit.</p> <p>AN suggested that a procurement and contracting audit be included as this would cover procurement for the Wembley project and some aspects of agency staff processing. It was agreed that this would be useful and could replace the general ledger IA. AT acknowledged that the catering and security contracts were soon also due for renewal.</p> <p>Members discussed the scheduling of the next cyber security audit and asked AT to seek advice on this to bring back to the Committee for further consideration. It was acknowledged that the follow up to the cyber security recommendations would be picked up in any case.</p>
6	<p>AOB <i>(Report circulated on day of meeting)</i></p>

	<p>I. Health and Safety Update</p> <p>Members commented on the increase in the number of student incidents and sought further information on this. AT explained that there was often conflict between rival gangs in the vicinity of the college at the beginning of the year which led to issues including drug dealers outside of the college site. There was a close relationship with the police and local community to address this, which was thought to be effective as many students reported feeling safe at college in the surveys. It was thought that the increase may be due to the return of students to the campuses post pandemic, but AT agreed to check this and feedback.</p>
7	<p>Date of next meeting October 2023</p> <p>Meeting closed at 8.10 pm</p>

Minutes taken by Zoë Lawrence 13/06/2023

SIGNED:

Date:

Derrick Betts, Chair

ACTIONS

Ref	Action	Owner	Status
6 (March 2023)	To explicitly acknowledge mental health in the Health and Safety policy and cross reference other relevant policies such as safeguarding, first aid, and well-being strategies for the next iteration.	AT	For next year's review of the policy
4ii	For AT to discuss with SD the option to reality check the strategic risk register and add any existential risks that have not come through the operational risk registers.	AT/SD	Complete
4iii	For SB to re-issue the webinar link on the ONS reclassification webinar for committee members	SB	Complete
5ii (c)	For an update on the progress on the implementation of H&S training to be provided to the October meeting.	AT	On agenda
5ii (d)	To provide an age analysis of the audit recommendations included in the follow up report	PG/AT	On agenda
5iv	For the IA Plan 2023/24 to be updated to include a procurement audit in place of the general ledger IA	PG/AT	On agenda
5iv	For AT to seek advice on the frequency and scheduling of cyber security IA from PB and PH and report back.	AT	On agenda
6i	AT to provide explanation on the number of incidents reported in the H&S plan.	AT	On agenda