

UCP AUDIT COMMITTEE

November 27, 2024

4:30 PM - 5:30 PM

Online

ATTENDANCE

PRESENT

Peter Walker
Mark Woods

IN ATTENDANCE

Rachel Nicholls
Louise Perry
Liz Knight
Roopa Patel-Harji
Jane Spurgin (for Governance Director)

ABSENT

Dr Alison Davies
Joanne Ulyatt (Governance Director)

1. WELCOME

Standing item

Speaker: Chair

Time: 16:50

- a. **Apologies for absence:** Apologies were received from Dr Alison Davies and member agreed that Peter Walker would act as Chair for the meeting.
- b. **Confirmation of eligibility and declarations of interest:** 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.

2. MINUTES

Standing item

Speaker: Chair

Time: 16:35

- a. Minutes of the last meeting (23.05.24): 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. AUDIT COMMITTEE TERMS OF REFERENCE REVIEW

Decision item

Speaker: Governance Director (proxy)

Time: 16:40

Members noted that it is best practice to review the Terms of Reference each year for continuing appropriateness and relevance; this exercise has now been completed.

Members asked about the latest OfS position in respect of the planned revised governance arrangements and whether OfS permission to merge the Audit Committees (IEG and UCP) is considered likely. The Committee was informed that, while no objections have been raised by the OfS, further details are still pending. The OfS has been contacted and will be followed up with to ensure that the internal deadline of 5th March 2025 for completing the new governance arrangements is met.

Members **agreed** the recommendation that no amendments are made to the existing Terms of Reference (last amended November 2023) at the current time but that they are reviewed again in Spring 2025 when the governance integration with IEG is reconsidered. **(ACTION 2)**.

4. INTERNAL AUDIT REPORTS

Information item

Speaker: Internal Auditor

Time: 16:45

Internal Audit:

- a. UCP Internal Audit Annual Report 2023/24
Validera presented the draft report and it was noted that:
 - the agreed internal Audit Plan 2023/24 covered the following areas: *Performance Management; Financial Controls (Income Recognition); Procurement; Cyber Security and Strategic Plan – Curriculum Development*;
 - with the exception of *Strategic Plan – Curriculum Development*, coverage of the above areas was achieved through specific testing within wider Group reviews;

- Substantial assurance was reported against all areas with the exception of Financial Controls, with 1 red, 6 amber (all 7 points relating to IEG Financial Controls), 4 green and 2 blue issues raised;
- the overall annual opinion is that – UCP has adequate and effective risk management, governance, and control processes in place as well as adequate and effective arrangements to reasonably secure VfM.

Members queried whether the 'borderline assurance' opinion provided for Financial Controls should be amended as none of the points related to UCP. Validera agreed to review the removal of the Financial Control recommendations and adjust the overall assurance level if deemed appropriate. It would also consider whether any agreed changes would impact on the overall 'borderline assurance' opinion (**ACTION 3**).

The Committee **approved** the report, and welcomed adjustments agreed by Validera on the above points.

b. Annual Summary Audit Report 2023/24

Validera presented the draft report and it was noted that, in addition to the comments above, all recommendations arising from the internal audit work had been accepted by management.

Clarification was provided about the Cyber Security (green) points in relation to Remote Working - clear guidance needed to advise people in terms of setting up their computers whilst working off site, to ensure that the IT equipment is up to the same standard as that on site.

Members suggested that, should the Financial Controls recommendations be removed from the UCP report, the overall assurance opinion for UCP could be amended to Substantial. As per Action 3 above, it was explained that the Audit Partner would make the final decision and consider whether an overall opinion adjustment is appropriate.

The Committee **noted** the report, and would welcome any approved adjustment agreed by Validera on the above point.

c. Audit Report on Strategic Plan – Curriculum Development

Validera presented the audit report and it was noted that:

- the audit had reviewed the UCP Strategic Plan and its alignment to the IEG Strategic Objectives and OfS requirements;
- the arrangements in place are appropriate to reasonably manage risk;
- it reflects a positive audit opinion of Substantial – the highest level of assurance;
- there are 1 green (include target student numbers within the UCAS monitoring document) and 2 blue audit points raised (1. the UCP Governor Dashboard should align with the established Strategic Objectives and comparison / comparator information should be maintained between periods so that Governors can assess respective performance over time; and 2. Apply robust version control to all policy/procedure documents including: version number, approver, approval date, and expected review date);
- management responses on the points raised has been received;
- the practice of calculating staff hours (5 hrs for every 4) is standard practice for HE relating to the requirement for staff to write and develop the curriculum. It was confirmed that this does not apply to FE staff.

The Committee thanked Validera for the report and **welcomed** the positive result.

5. INTERNAL AUDIT PLAN 2024/25

Decision item

Speaker: Internal Auditor

Time: 16:55

Members received and discussed the first draft UCP Internal Audit Plan 2024/25, as presented by Validera, noting that:

- the Plan has been prepared based upon discussion with IEG and UCP senior management;
- OfS requires UCP to provide an Annual Internal Audit Opinion in respect of risk management, governance, internal control, and Value for Money (VfM);
- currently eight audit days are provided within the Group Internal Audit Strategy specifically relating to UCP (including one management day);
- four audit days allocated to perform specific testing relating to UCP in the following areas of the wider IEG 2024/25 audit plan:
 - Risk Management
 - Budgetary Control
 - Payroll and Expenses
 - Quality Management
- three audit days allocated for one priority area for specific UCP review (detailed brief waiting to be confirmed):
 - Development/Implementation of Higher Technical Qualification (HTQ) or Higher-Level Apprenticeships

In reviewing the draft Plan, members requested that consideration is given to factoring in the newly increased RAG grading to primary risk level of late data returns to validating partners, students and the Office for Students (OfS) by rethinking the audit brief around student records to make sure it covers some of the HE risk (**ACTION 4**).

Members accepted that the risk on recruitment due to competition comes under 'failure to meet income stream' and noted that the strategic approach is to consider how the curriculum can be adapted to complement, rather than compete with, existing offer in the area. The UCP development day next week is about repositoning the curriculum.

The Committee **approved** the draft Internal Audit Plan 2024/25 and **recommended** that the finalised document be presented for approval to the UCP Council.

6. UCP FINANCIAL STATEMENTS 2023/24

Discussion item

Speaker: Chief Finance Officer

Time: 17:00

Members received the draft UCP Draft Financial Statements 2023-24 (version dated 9th Oct 2024 – no newer version had been received to date of meeting). The Committee also received a Summary of Misstatements from the External Auditors, RSM. It was noted that:

- UCP made a surplus of £115k (2023: £21k) for the year – although the surplus is boosted by the reduction in the bad debt provision;
- things have moved on slightly since 9th Oct with adjustments to debt provision due to the collections made in August;
- the accounts reflect a sound financial year;
- some big shifts in the some account codes in this version as a result of mapping by the auditors, relating to Group intercompany transactions and the resulting debtor position;
- the sound statements on corporate governance and internal control;
- the current draft external audit statement advises:

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2024 and of its surplus for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
 - have been prepared in accordance with the requirements of the Companies Act 2006.
- the audit opinion will be finalised as soon the external review work is completed.

The Committee welcomed the positive draft Financial Statement and passed congratulations to management and the team. The UCP Draft Financial Statements 2023-24, to be considered by the UCP Council on 5th Dec 2024, were noted and reviewed by the Committee.

7. RISK REGISTER

Information item

Speaker: CFO/Academic Director

Time: 17:10

Members received the Board Assurance Framework and the UCP Contingency Risk Register providing a review of the risk environment for 2024/25. The following summary information was noted:

(a) Board Assurance Framework (BAF)

- all three risks on the BAF have been revised as at 1st Nov 2024;
- there are no changes to residual risk scores and actions plans have been updated to reflect current year activities.
- the greatest impact on the strategic risks this year is that there is a much larger recruitment planned for January 2025 than in normal, as the HTQs are introduced. This recruitment point will underpin the financial and enrolment performance in the 2024/25 financial year.

Members and management discussed:

- the potential impact of the new government administration on UCP strategic risks and observed that the early signs are positive and optimistic from an FE perspective, rather than HE perspective. HE in more of a tricky situation as the Levy can no longer be used for Level 7 Degree Apprenticeships. The full details of the White Paper 'Get Britain Working' are awaited at which point risks will be further assessed;
- the recently announced increase in HE Fees is only an inflationary increase, for consideration by the UCP Council on 5th Dec 2024;
- that the MoU Agreement with ARU has yet to be signed with a number of meetings having been rearranged over the past months – a new date is to be convened for January 2025;
- in order to make the BAF information clearer, the font size be made bigger and a completion date added for all primary risks. Management to review the design of the BAF (**ACTION 5**).

(b) Contingency Risk Register

- Risk 231 has now become a primary risk due to delayed returns, student data and the timely marketing of courses. A number of actions are in place to address issues, including an MIS restructure to support improvement;
- Risk 264 student accommodation is now to be removed and held funds released into the 24/25 accounts as this relates to a charge dispute for the 2019/20 academic year;
- Risk 262 Addict teachout is now to be removed as this has now completed and all students have achieved their qualifications;

- Risks 252, 253 and 254 have been reduced as these relate to student outcomes, experience and quality. Excellent National Student Survey results and UCP's performance against the OfS benchmarks support the reason for this reduction.

Members **noted** the reports and **agreed** the amendments to the Contingency Risks, as above.

8. AUDIT COMMITTEE ANNUAL REPORT 2023/24

Decision item

Speaker: Chief Finance Officer

Time: 17:20

The draft UCP Audit Committee Annual Report (ACAR) was presented for review and Members agreed the key statements made, that the:

- UCP Audit Committee (AC) has acted within its terms of reference and complied with governance requirements;
- AC can provide assurance to the Council that the UCP procedures and systems of internal control, governance processes, arrangements for risk management (RM), control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets were and remain adequate and effective.;
- AC had agreed the UCP Annual Internal Audit Plan for 2023/24, received/reviewed all reports, audit opinions and tracked management response completions;
- report includes the Annual Internal Audit Opinion reflected at item 4a above;
- reviewed the work of the external audit service;
- AC continuously reviewed UCP's arrangements for risk management; and formally concludes that the AC:
 - considers that the Internal Audit Report indicates satisfaction within the system and all points raised are addressed in the relevant minutes;
 - takes comfort from the corrective action that has been instituted and is assured that realistic dates for implementation have been set;
 - is content with the production and comments surrounding the External Auditor's work with the AFS; to be reviewed following receipt of the management letter and outcome of regularity audit; and
 - the committee is satisfied that adequate processes as detailed in paragraph 3 are in place and additionally, that VFM, which is regularly considered, is being satisfactorily achieved.

Members agreed that the ACAR provides a straightforward summary of the Committee's collective work and noted that there are a couple of items in red which are yet to be finalised (i.e. unqualified audit opinion is missing) and the inclusion/adjustment of any changes to the IAS opinion based on the discussions at 4b above.

It was suggested and agreed that the conclusion statement below in the UCP Financial Statements 2023/24 should also be amended for relevance and included at the end of the ACAR (**ACTION 6**):

Based on the advice of the Audit Committee and the Academic Director, the Council is of the opinion that the Group has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"

The Committee **approved** the draft ACAR subject to the above amendments.

9. URGENT BUSINESS

Standing item

Speaker: Chair

Time: 17:25

None.

10. DATE OF NEXT MEETING: 5TH MAR 2025 AT 16:30

Standing item

Speaker: Chair

Time: 17:30

Next meeting date and time noted.

Meeting closed at 17:30

DRAFT