Barnet Southgate College

MINUTES

Barnet and Southgate College Corporation
Joint Finance, Audit and Risk Committee Meeting
to be held on Thursday 01 December 2022
17:30-21:00

via Microsoft Teams

Attendees: Finance Committee Imelda Galvin (IG) (Chair); Adam Goldstein (AG); Hannah Sheath (HS)
Audit and Risk Committee Mark Sweeny (MSw) (Chair); Alex Middleton (AM); Diane Moore (DM); Rouzbeh Faramarzian (RF)

Apologies: Darren Mepham (DM); Jenny Jarvis (JJ); Sue Baker (SB)

In attendance: Mark Sellis (MS); Hiten Savla (HS); Tracey McIntosh (TM); Neil Coker (NC); Stuart McKay (SMc); Leisyen Cox (LC) Scrutton Bland

Quorum 2 + 3

Item		**Action**
	FINANCE **ITEMS TO RECEIVE**	
1	**Welcome** The Chair welcomed those present to the meeting. It was noted that Sue Baker (SB) had stepped down from the Finance Committee. It was discussed with AG and NC that SB felt that there was a conflict of interest between being a UCU union representative and a Finance Committee Member. It was decided that SB will be appointed, at the Corporation Meeting on the 15 December 2022, to another Committee. The Chair expressed her sincere gratitude on behalf of the Finance Committee to SB for her contribution. LJ joined the meeting at 17.37	
2	**Preliminary Items** **i. Apologies for absence** Apologies were received and accepted from Darren Mepham (DM); Jenny Jarvis (JJ) and Sue Baker (SB) **ii. Declarations of interests** There were no declarations of interest other than those standing. **iii. Notification of Urgent Business** There was no other urgent business notified to the Chair prior to the meeting.	
3	**Minutes of previous meetings and matters arising** The Committee noted the discussion from the Meeting held on the 5 October 2022 relating to the rationale underpinning the College Financial Health grade of *Outstanding*. HS explained the downgrade	

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<td>which was noted as an exceptional item. The Finance Committee had agreed that the College should downgrade itself to a Financial Health of Good. It was noted that HS had informed the ESFA. It was confirmed that the ESFA had downgraded the College to a Financial Health of Good.

The Chair asked HS to update the Committee on the following two additional points:

• Bad Debt Provision
ACTION
3.1 HS to share how the bad debt provision was identified and accounted for, offline outside of the Committee meeting.

• Repayments
The Committee discussed the deficit in recruitment of 16-18 age group and its impact on 2023-2024 forecasts in which there could potentially be a deficit of £750k from a contribution perspective.

The Minutes of the Finance Meeting held on 5 October 2022 were <u>APPROVED</u> subject to a minor amendment to page 4. 3.1. there will be a potential clawback with an impact of about £200k. HS explained that the actual clawback was greater than £200k, but the impact on the bottom line for last year would have been £200k.

Matters arising
There were no outstanding matters arising related to these Minutes.

ACTION
3.2 Matters Arising Table to be reintroduced to ensure that all outstanding points continue to be actioned.</td>
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<td>Finance Update
i. P3 Accounts up to end of October
It was noted that P2 and P3 accounts had been circulated to the Committee.
It was further noted that JJ’s comments related to P2, but it was agreed that they were still relevant to the discussion. The Chair asked for the comments to be noted in the Minutes in the absence of JJ, relating to energy costs.
It was noted that the Board was not happy with the late receipt of P2 and P3 accounts. The Executive was reminded on the purpose of providing the Board with the timely circulation of Management Accounts to keep on top of issues as they arise.

RESOLVED
4.1 MS and HS to produce a schedule to include a month end timetable with the circulation time specified to show clearly when the accounts would be delivered to each Finance Committee Meeting.

The Chair invited questions and/or comments from the Committee members.

It was mentioned that there were a couple of points that needed clarification on points of detail shown in the accounts before any future discussion. These were as follows:</td>
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i. The income and deficit
ii. bad debt to Enfield Council shown as significant and still outstanding

It was explained that there were two key reasons for the in-period deficit shown as £2m. These were as follows:

1. the actual income received to date as at P3. It was explained that the funds for 16-18 age group and adult funding were not received at the same time and until there was a definite accrued income it was not stated in the accounts.
2. a time lag to get the student data onto the system due to the volume. It was noted that the differences shown in the accounts were linked to timing differences which accounted for the £2m deficit and therefore until the agreements [42 days withdrawal] were signed there was no knowing the actual amount that the College would receive.
3. It was explained that the bad debt relating to Enfield Council of £135k was an outstanding debt within the Ledger from 2021 shown as an underpayment.

It was noted that the relationship with Enfield had improved. NC assured the Committee that he was confident that the College would not be in the same position in the current academic year in terms of bad debt.

The following key points were noted:

i. the Finance Team was working with Chalene Scott on High Needs income.
ii. ESOL target was slightly lower than budget, though the College had recruited to full-time courses with the income applied across the whole year.
iii. removal of Sports Coaching
iv. changes to the requirements for the electrical courses. It was noted that the College was working with external partnership with a contract worth £100k
v. redundancy payment of £53k for two members of staff.
vi. contract with Barnet Borough Council for Hong Kong students
vii. changes to application process with more one-to-one with staff. It was acknowledged that there was a huge turnout at an open evening.
viii. staff costs to income ratio. It was discussed that the College was below the benchmark of 70% due to lower agency costs. This figure was expected not to vary throughout the year and was in line with the ESFA 66%.

It was agreed that there was further work to improve the financial management report so that it was easily understood by non-finance Committee members. It was agreed that the report would benefit from an Executive Summary; clarity on the breakdown of income relating to student numbers and the breakdown of High-Level Needs to income ratio; key risks relating to vulnerable learners; the shortfall in English and Maths; goods and services and the unplanned positive variance of £400k which would likely be the sum of the potential clawback.

	It was noted that the Management Accounts were shared with all staff. It was further noted that there was a reliance on income streams and where the College had been challenged regarding apprenticeship provision. It was agreed that this area was an opportunity for growth and/or return to growth. **ACTION** **4.2** TMc to provide the Finance Committee with a Paper on changes to the application process, a new one-to-one student and staff arrangement; open evening data and positive impacts on conversion to meet targets rather than based on predictions. **ONS Reclassification** It was mentioned that there may be broader elements in terms of governance that were not clarified at the ONS Reclassification briefing. It was further mentioned that the MIS teams would need to be staffed appropriately. It was noted that the DfE would be issuing a new College Financial Handbook in August 2024. It was noted that all Colleges had been reclassified from an announcement made on the 29 November 2022. The rationale underpinning the announcement, it was explained, was to manage public finances. MS further explained the reclassification to the Committee as follows: i. new commercial borrowings would require approval from the DfE ii. novel, contentious, or repercussive transactions would need to satisfy the DfE value for money equation iii. the reclassification would be structured simply with no covenants, or what would be defined as *covenant light*, and would be subject to DfE value for money scrutiny The Committee discussed the impact of the ONS reclassification on future borrowings compared to Bank loans and whether the reclassification would prohibit the College getting a waiver on any potential future loan. **ACTION** **4.3** MS to investigate the terms and conditions on borrowings relating to the DfE value for money equation and circulate to the Committee. It was mentioned that due to technical difficulties Tracey McIntosh (TMc) had to leave the meeting. TMc left the meeting at 18.30 Leisyen Cox from Scrutton Bland joined the meeting at 18.30 Diane Moore joined the meeting at 18.30	
	JOINT FINANCE AND AUDIT ***Stuart McKay to attend as Observer for this part of the meeting***	
	The report was circulated to the Committee and taken as read.	

	MS summarised the baseline assumptions to allow for a certain degree of prudence in terms of balancing risks and opportunities offset by additional adult income from the GLA and ESFA. It was noted that the assumptions showed an increase in costs to reflect the GLA and ESFA income. There was also a 3% inflation rate on goods and services. It was recognised that the assumptions formed the basis for the discussion on signing off the accounts on a going concern basis. It was mentioned that this was a very early budget which was still in its draft planning stage. The Chair invited questions and/or comments. It was mentioned that the College was in a stronger position than it had been in recent times, yet it was difficult to reconcile the fact that it needed to invest to grow and at the same time cut costs. It was acknowledged that to develop further to achieve its strategic ambitions the College would have to make significant cost savings which would impact on its growth aspirations. It was agreed there needed to be further discussion on innovative growth projects and the curriculum model. It was mentioned that there will be efficiency savings coming out of the work with the FE Commissioner. In conclusion the Chair explained that the Executive worked hard to bring the budget within an acceptable level. It was recognised that the same rigour that had been applied to last year's budget had been used this year and the finance team were commended. The Committee discussed the College as a going concern in detail. The Committee agreed that as there was no material uncertainty about our ability to trade in the next 12 months that the going concern test was *passed* but there was still potential for current and future deficits.	
5	**Financial Statements and Letters of Representation** i. *To sign off last year's accounts and consideration of Audit's recommendations* SM agreed that the assessment of a going concern assumption was valid and mentioned that he would be happy to speak to anyone offline. **ACTION** **5.1** Stuart McKay to meet with MS to speak offline. **5.2** MS to find out about whether bank covenants counted as a renegotiation point on new or different loans at higher rates of interest and the actual terms and conditions. Stuart McKay left the meeting at 19:04 Imelda Galvin (IG); Hannah Sheath (HS); and Adam Goldstein (AG) left the meeting at 19:09 Future Finance Committee Meeting Date: **19 January 2023**	
	AUDIT AND RISK ITEMS TO RECEIVE	

6	**Welcome** The Chair welcomed those present to the meeting. **Apologies** Apologies were received and accepted from Darren Mepham (DM). **Declarations of Interest** There were no new declarations of interest other than those standing. **Notification of Urgent Business** There was no notification of urgent business declared to the Chair prior to the meeting. **Minutes of previous meetings and Matters arising** The Minutes of the Audit and Risk Meeting held on 28 September 2022 were **<u>APPROVED</u>** **Matters Arising** It was noted that the Regularity Questionnaire was not circulated in time for the Audit and Risk Committee (ARC) to consider the content of the document. MS and HS agreed that the document was circulated in September following the ARC. The points made by the Chair were noted by the Finance Director. **ACTION** **6.1** It was agreed that MS would meet Rouzbeh and Diane in January. **6.2** It was agreed that MS would complete an Assurance Mapping update at the next ARC meeting and TMc would build in enrolment targets once it was clear on the expectations regarding the external assurance in line with other colleges. It was noted that the College planned to revamp taster days to improve its offer so that it was a first choice College rather than being perceived as an insurance offer and in terms of providing external assurance that the College was performing within reasonable parameters considering concerns around costs, enrolment, and good practice. The Committee discussed the mechanisms around processes to ensure that they were in line or as good as other Colleges. It was further discussed that the Executive should work with partnerships to get some external assurance on whether those processes were best practice. **ACTION** **6.3** The Executive to provide external assurances on performance and improvement relating to provision and offer so that the College becomes first choice. There were no other outstanding matters arising not discussed elsewhere on the agenda.	
7	**Audit Update** Regularity and Propriety Questionnaire *for recommendation to the Governing Board* The document was circulated prior to the meeting and taken as read. MS explained that the document was in draft form showing the	

	updated track changes. MS explained that the document fulfilled two purposes: self-assurance as an organisation; and to give the external auditors assurance in terms of risk assessment as an organisation. **7.1** It was noted that there was a major change on page 27 relating to governance. It was further noted that MS needed to work on page 20 on the section relating to Estates and circulate a revised version before the Corporation Board Meeting. **7.2** It was noted that there were proofing errors that needed amending. **7.3** It was mentioned that the Regularity Questionnaire document should be linked to the financial report. It was agreed that the document could be agreed via a round robin email from governors. It was noted that a lot of the Policies had been updated last year with a couple still in the draft stages. **7.4** It was noted that a Policy Schedule was currently being created. Following the recommendation from the external auditors it was mentioned that the Executive was reviewing its policies database to ensure all the policies and review dates could be easily tracked, accountable authors and were kept up to date.	
8	**Internal Audit** The report was circulated prior to the meeting and taken as read. The Findings of the report were discussed. There were no new items to report other than the concerns relating to the decline in student numbers and lag funding; the pension being classified as a lower risk entity and the long-term inflationary rate. LC summarised the report. It was mentioned that the audit report was provided with clean assurance opinions around the areas of risk, governance, control, and value for money. It was further noted that the College received significant assurance opinions for all assignment reports this year other than the risk in governance, which was an advisory piece of work conducted with the conclusion that reasonable progress in the implementation had been made of the recommendations as discussed elsewhere on the agenda. It was noted that the auditors did not raise any high-risk recommendations compared to last year where there were three medium risk recommendations relating to payroll, funding assurance and high needs learner support, all of which were accepted by Management. LC referred to Appendix A which provided a table summary of the reports, assurance and the recommendations including a one-page oversight of the findings benchmarking data. It was noted that it was a clean audit report.	

The Chair invited questions and/or comments.

There were no questions.

LC expressed sincere gratitude to the Management team for its engagement with the process.

Anti-Fraud Framework
It was noted that the auditors had given a significant assurance opinion with four recommendations and suggestions in the report to help strengthen those areas relating to good practice in terms of key policies and a policies database as discussed. It was confirmed that members of staff were being informed to familiarise themselves with policies and updating them when reviews were due to provide an auditable trail particularly relating to the Gifts and Hospitality Policy and Secret Santa gifts. It was suggested that a tick box on the internet to demonstrate that members had read the policy in terms of internal audit compliance and implementation of this should be considered.

It was acknowledged that the auditors had various conversations with members of staff throughout the process so that it could be ascertained whether there was an understanding and awareness of the fraud risks and control in their areas. It was noted that there were strong and positive responses.
It was further noted in response to a governor question that the Finance Department had taken over maintaining the Gifts and Hospitality Register should any concerns relating to Fraud and/or Bribery arise.

8.2 It was agreed that there should be an additional column for acceptance of gifts in the Policy.

Cyber Security
It was noted that there was regular testing and review of the firewall logs. It was noted that this was monitored by the IT department to make sure that any unusual activities were being picked up, reported, and addressed as soon as possible.

8.3 It was recommended that the IT undertake a review and hold a discussion regarding the rules of the firewall to make sure that they were still relevant and that they were being reviewed on a regular basis.

8.4 It was noted that a second recommendation related to cyber security training for members of staff, set a deadline date and to monitor to ensure that members of staff had completed their online training.

It was noted that the auditors had suggested introducing a multi-factor authentication and more secure passwords for all external and remote sessions undertaken by members of staff.

8.5 The final recommendation was to develop a backup and restore policy and to undertake regular restoration tests to ensure that data can be successfully restored from backup and any issues picked up as part of those tests.

	It was acknowledged that the auditors did not undertake Phishing tests. It was confirmed that this was an internal process undertaken by the IT department on a regular basis. **8.6** LC confirmed that the field work for the Learner Numbers systems had been completed and the report would be with the Committee in time for the next meeting. The Committee **noted** the position.	
9	**Annual Report of the Audit Committee** *for recommendation to the Governing Board* The Annual Report of the Audit Committee was **APPROVED** subject to a minor amendment relating to the list of membership. **9.1** It was agreed that the filing system would be overhauled.	
10	**Audit Recommendations Tracker** **10.1** It was agreed that MS will circulate the Audit Recommendations Tracker for ARC approval.	
11	**Risk Register** **11.1** It was agreed that MS would circulate the Risk Register for ARC approval.	
12	**Risk Management Annual Report** It was noted that the Risk Management Annual Report formed part of a general package of assurance but was submitted by management. **12.1** It was agreed that MSw would discuss the overlap of Audit and Finance Committees and arrange to routinely check and track reporting so that both Committees were up to date with discussions and actions relating to the Risk Management Annual Report.	
13	**Statement of Reported Incidents of Whistleblowing and Fraud** It was noted that there were no notifiable incidents to report. **13.1** It was agreed that MS would circulate Whistleblowing Policy to the ARC.	
14	**Policies** Gifts and Hospitality Return 2020-2021 and Annual Review of Gifts and Hospitality Register It was noted that the document was presented to the ARC last November and there were no specific changes to the register to mention to the ARC. The Committee **APPROVED** the Gifts and Hospitality Return 2020-2021 and Annual Review of Gifts and Hospitality Register. **Counter Fraud Policy** The Committee agreed and approved the Counter Fraud Policy. It was proposed following a significant review by the previous Chair of the	

	Audit Committee that the Policy be recommended to the Corporation Board for approval. **14.1 RESOLVED** that the Counter Fraud Policy be recommended to the Corporation Board for approval. It was agreed that this would be a Corporation Board agenda item. LC left the meeting at 20.37	
15	**Review of Performance of Internal and External Auditors** The Committee agreed that there were no concerns with the reporting from the internal and external auditors. It was mentioned that the auditors delivered on schedule, on budget, and adhered to the scope of works demonstrating that they had a proportionate and articulate response dialogue: strategic and positive at the right level. It was discussed that MS should have a conversation offline with LC on the college having a sequence of substantial assurance of what could be done to go from substantial to strong and a couple of areas to work with them on to make the College's compliance and internal systems more robust. It was further mentioned that Reports were clear and easy to understand, and LC's response set the right tone, were supportive with a perspective based on a good understanding of the sector which highlighted a couple of areas that needed work. **15.1** MS should have a conversation offline with LC on the college having a sequence of substantial assurance of what could be done to go from substantial to strong.	
16	**Any Other Business** The Chair thanked MS, HS, and the finance team for their hard work in preparing the reports.	
17	**Self-Evaluation** It was noted that other than the untimely circulation of Papers and greater care with the agenda the meeting went well. ***There being no further business 20.52***	
	Date of forthcoming meetings **Finance Committee Meetings 2022-2023** Thursday 19 January 2023 Wednesday 1 March 2023 Thursday 4 May 2023 Wednesday 28 June 2023 **Audit Committee Meetings 2022-2023** Thursday 2 March 2023 Thursday 29 June 2023	