Barnet and Southgate College Corporation
Audit & Risk Committee meeting
held on Tuesday 9th July 2024
At 18:25

Governors present: Diane Moore, Chair
Alex Middleton
Thomas Streater
Adam Morley

In attendance: Maxine Bagshaw, Director of Governance & Corporation Secretary
Michael Norton, Interim CFO
James Russell, Interim Project Director
Costas Calcanis, Head of IT
Paul Goddard, Internal Auditors (Scrutton Bland)
Stuart McKay, External Auditors (MHA)

The meeting opened at 18:25 and was quorate

Item	Description	Action
1	**Preliminary items** **1) Apologies for absence** Apologies for absence were received from Neil Coker and Leisyen Cox. Costas Calcanis and both internal and external auditor representatives were welcomed to the meeting. **2) Confirmation of eligibility quorum and declarations of interest** It was confirmed that the meeting was quorate with all committee members present. There were no declarations of interest. **3) Requests for matters of urgent business** It was confirmed that no requests for matters of urgent business had been identified in advance of the meeting.	
2	**Minutes** **1) Minutes of the meeting held on 23rd April 2024** The minutes were reviewed, and it was accepted that they were an accurate record of discussions.	

	AGREED: to approve the minutes of the meeting held on 23rd April 2024. **2) Matters arising and outstanding actions** There were no matters outstanding, and committee was content to note the progress made in relation to actions agreed at earlier meetings.	
3	**Financial Performance (Standing Item)** Chair advised that this was a new item for this committee to consider and that it is planned to be a standing agenda item moving forward. This is to ensure that the committee has the appropriate focus required on college solvency. Matters highlighted by the interim CFO were: • Provided are the Period 9 Management Accounts • Also included is the proposed 24/25 budget • 2024/25 is an investment year. This is to support growth and the 'unwinding' of the current position of funding bands. • Anticipation is a surplus position in 2025/26 following the investment made in 2024/25 • Positive cash position • Report includes detail regarding committed cash • College is still waiting to hear from Lloyds regarding bank covenants and is seeking a resolution regarding a 'technical breach' i.e. difference between monies in and monies out in consecutive financial years. Committee asked what the risks are in relation to the technical breach. Interim CFO indicated that the college has a good relationship with the bank and therefore it is hard to see that they would have an issue with providing a resolution e.g. waiver. There are no concerns regarding college solvency and the organisation is in a solid financial position. One governor referred to the colours used on page 4 (of 36) and asked for clarification in relation to this. Interim CFO indicated that green shows a positive position, amber is 'okay' and red is where there is either more expenditure or reduced income. He confirmed that the format of the accounts now follows ESFA good practice guidance. AGREED: to note the content of the information provided.	
4	**External Audit – Planning Memorandum for 2023/24 Audit** Key matters highlighted by external auditors included: • Section 1 – this is an introduction and sets out the mutual understanding of scope, audit timetable etc. • Page 2 provides an audit summary. This year it will just be college activity and not the trading subsidiary, which is finally due to close.	

	• Information provided on materiality. College income is used as a benchmark, with anything over 2% being material which, in financial terms, is just over £900k. • BSC is not considered to be a high-risk college • Triviality is 5% overall which is equal to £45.6k • Expectation is to report to governors at the joint Audit and Finance committee meeting scheduled in December. • Intention is to look at bank covenants specifically, given the earlier issue identified by the interim CFO. College will need to have a waiver/readjustment from Lloyds before the end of the financial year. Similar position happened in 2020 and, if no resolution, it will be a technical breach. One member of the committee asked whether 2% materiality is the norm for the sector. Auditors confirmed that it is and that usually it is between 1.5%-2%. In relation to 'triviality', committee Chair asked if there were a number of issues around the limit, would they then be reported on given the amalgamated value. Auditors advised that they would not unless there was a common theme evident. • Section 2.2 confirms independence and objectivity. It includes detail on any other work completed by MHA i.e. Teachers' Pension Scheme, HTQ grants and the winding up of the subsidiary company, MBC. All audit activity has been cleared by the MHA ethics team which enables confirmation of independence. • Section 3.1 outlines the audit scope, including proposed presentation to governors on 5th December 2024 • Section 4 highlights key audit risks. Risks 1, 2 and 3 always appear, whereas 4-10 are bespoke to BSC. Risks 5 and 10 will be closely reviewed. • More detail is then provided on each of the identified 10 risks, which are: - 1 – Fraud risks - 2 – Management override - 3 – Related party transactions - 4 – Income – auditors take a controls-based approach. Historically there have been some weaknesses in relation to source documents. - 5 – Regularity – auditors have provided a list of 'musts' which have to be checked by the team. This is in addition to the usual regularity self-assessment questionnaire. - 6 – Going concern. There are no immediate risks identified by the college. - 7 – Clawback of AEB - 8 – Capital expenditure – there has been a lot of activity this year so will be an area of focus. Intention is also to look at the proposed disposal of Tudor Hall. - 9 – Pension assumptions – likely to be static discount rates again - 10 – Financial reporting – this will include looking at holiday pay accruals. • Section on fees	

	Sector update – with a focus on changes following College Accounts Direction and introduction of the College Financial Handbook. Committee asked for an explanation in relation to 'holiday pay accrual'. Auditor advised that any untaken staff holiday by the year end is technically a debt although it is hardly ever paid. Committee provided an update in relation to Tudor Hall and explained that it has now been determined as an asset of community value and this therefore has an impact on the potential sale. This is a time delay; however, it is not envisaged to be material. Interim Project Director highlighted that there are also four different land parcels being considered for sale and these may therefore need to be referred to in the audit. Sales for any are unlikely to happen before the end of the calendar year which is when the financial statements will need to be signed off and submitted to the ESFA. AGREED to: a) Note the content of the updates provided, and b) Recommend that the board approve the External Audit Planning Memorandum for 2023/24 as presented.	
5	**Fire Risk Assessments – Campus Action Plans** Interim Project Director introduced this item with key matters highlighted including: - All risk assessments have now taken place and campus action plans created - There was a total of 123 recommendations - There are significantly more recommendations made regarding the Southgate Campus. This is because the site has several separate buildings. - High risk recommendations have been identified and will be addressed as a priority - There are some extremely granular recommendations - Focus for the college is on the 'top 10' - Seven of the ten relate to 'housekeeping matters' - There are termly walkarounds undertaken jointly with the Health and Safety committee and the unions - The other three of the seven relate to poor storage - Premises team will address the 'top 10' by the start of next term i.e. summer works. - There is also a communications piece required with staff in relation to the housekeeping aspects Committee asked how the audit outcome and action plans have been communicated across the organisation i.e. premises team, estates and any associated training required. Interim Project Director advised that estates staff are in receipt of the 'top 10' and will address these. Next step is to cluster the other recommendations e.g. doors, fire alarms etc. and staff will then work their way through these to address. There will be a running tally of what has been ticked off the list. Some are part of routine	

	wear and tear which could occur in any year. Intention is to use the audit format internally in the future. There will be a role for health and safety/estates teams to keep a rolling record. Some are mandatory requirements and therefore the college will have to use internal controls and powers to address these. Committee referred to Southgate Campus and asked whether this is a higher risk site or whether the audit shows more issues because there are more individual buildings. Staff confirmed that it is the latter, with this site having lots of separate buildings, each of which is in varying condition and age. All agreed that what is required is to see the high-risk issues disappear. Staff provided assurance that this would happen, and all agreed that it was helpful to know where the risks now are. One governor asked how often fire drills are completed. Staff advised that fire alarm tests, rather than evacuations, are completed on a weekly basis. Programme is to have one evacuation per term at each campus. Staff advised that a training need has been identified so that consistency and coverage is improved. Challenge from governors was that it is important to have the right routines in place. One governor asked whether personal evacuation plans are in place for those individuals with disabilities. Assurance was provided that these are in place. Committee were advised that the intention is to deliver on the action plans over the summer and in the autumn term and it was therefore agreed that an update report would be provided to this committee in February 2025 (CFO, February 2025). AGREED to note the content of the update provided.	
6	**Report on IT/Digital/Data/Cyber** Costas Calcanis, the Head of IT, was welcomed to the meeting and invited to provide a short overview of his experience and time at the college. He advised that he started working in education as a lecturer, including both HE and FE. He has during his working life assisted CISCO on IT qualifications and then moved his focus to systems in the classroom. A further move was then into infrastructure, technology choice and implementation. He is IT qualified and has been in his current role since 2017. The IT department within the college covers several different functions and the report provided to committee covers a number of these areas. Report provided was considered on a section-by-section basis with key matters highlighted. 1) Overview of the college network • There are always challenges • Aim is to find solutions within an agreed budget envelope • Systems are accessed by staff, students and visitors which does present risks	

	• Cyber security applies to the whole estate and the team need to ensure that the estate is safe • Even a minor breach presents risks 2) Overview of cyber threats 3) Prevention measures • There can never be 100% assurance that the estate is safe, however team do not want to come across as paranoid. • Some protections are inconvenient and therefore it is important to fully explain to both staff and students and get 'buy in' • Training is the highest priority. Both students and staff need to have a good level of understanding. • There needs to be the right infrastructure in place to be able to monitor and protect • There are budget restrictions and therefore the college must prioritise • Key focus is on the points of entry to protect • College uses MFA, however this presents a significant challenge for some users. IT skills of some students are quite limited given the range of provision e.g. ESOL, LLD and therefore training is critically important. • MFA requires a second device but not a laptop to authenticate • College has in the past allowed a phone call MFA option but that has been removed because of a recent data breach • If students don't use MFA then they can only access college systems when they are on site All agreed that it was a concern that some students don't have the basic IT life skills. Staff provided assurance that support is provided to students e.g. in the LRC, digital ambassadors etc. It was acknowledged that this support does however add to staff workload in some areas. 4) Cyber assessment recommendations and actions • To meet funding rules college has to meet certain requirements • There are a series of audits and checks completed • Colleges must meet at least meet minimum requirements • Health checks completed every 3-6 months • Agreed recommendations are then prioritised • All high and critical actions are immediately addressed • Backup is critical for safety; this is both on site and in the cloud and links to the business continuity plan • College is working to avoid 'keeping everything' as it clutters the system and provides challenges in relation to data protection. Team is looking to delete a number of aspects this summer. • Intention is to streamline systems so that there are better controls. One governor noted the reference to 'data centres' and asked what electricity consumption, carbon footprint, sustainability position is	

	in relation to these. Staff indicated that this is currently not known but the Head of IT confirmed that he would now review. Governors commented that keeping the network safe was a significant challenge, with lots of live issues, and they asked whether the team have the right airtime with management and appropriate budgets. Head of IT confirmed that he felt the team gets the right attention and believes that sometimes an event really focuses attention on priorities. IT team have been able to run development and awareness raising sessions with senior management which have been helpful. He acknowledged that it is always a challenge to find the budget as FE is a sector that suffers many budget constraints. Management is aware of the risks and the fact that even one single breach could have catastrophic consequences. Committee were advised that hacking/penetration attempts have all come from overseas and to mitigate this risk, international access is now limited. Committee asked whether college has insurance in place for cyber breach. It was confirmed that it does but that there are limitations. College is also supported by JISC as and when it needs it. One governor noted the switch from Windows 10 to 11 and asked what the colleges plan/position is in relation to this. Head of IT confirmed that he has started testing Windows 11 now and that there will be a migration plan. Team is trying to integrate the interface so that there are smaller structured changes. One other development planned is bringing college telephony into teams and away from skype. Head of IT indicated that, as governors have access to very sensitive data it makes them and the organisation vulnerable, and therefore it is important to use the college platform for sharing information so that the college can better protect. AGREED: to note the content of the report and update provided.	
7	**Internal Audit Reports for 2023/24** Chair thanked internal auditors for attending and commented that, whilst there appeared to be a lot of interesting actions flowing from the audit there did not appear to be significant issues. Auditors confirmed that that there are five reports to consider at this meeting and explained that the outcomes of two of these were impacted by staff changes. Reports were considered individually with key matters highlighted. 1) <u>Lecturer deployment and room utilisation</u> • Significant assurance provided • Three low risk recommendations • The statistics are interesting e.g. staff utilisation, with this calculation not being straight forward • It is important to have utilisation targets • All FE colleges have relatively poor room utilisation	

	• Some rooms at BSC are recorded as 0% utilised. College will need to look in to this further. This is 20 out of 275 rooms. In discussion, challenge from committee was to remove redundant rooms from the statistics so that there is a more accurate picture. All agreed that there was a need to work through the data and 'unpick' e.g. is the quality of the room such that it cannot be utilised. There may need to be refurbishment to bring the rooms back in to use which would have a positive impact on utilisation. Challenge from the committee was that room utilisation may be higher than the data suggests and that there is a need to better understand this. All agreed that utilisation should increase as college works through implementation of the property strategy. All felt that the report would prompt some useful internal conversations. 2) Examinations and assessments • Significant assurance • This is an area where there have been significant staff changes. Staff in place have lots of new ideas however, at the time of audit, were unable to show impact. • Late fees should be a focus. College needs to better understand why and then how to address. It is important to be on the front foot so that the college can appropriately plan and prepare. All agreed that it was useful for the sales team to have this external perspective and that, what is important now are the conversations i.e. why is the college behind the curve in relation to this and what can be done to improve. 3) Management information • Reasonable assurance opinion • Auditors found that there were a lot of 'measurables' but that it was harder to get to the source data and evidence i.e. how did the college arrive at the numbers it has. • Improvements are required in relation to processes, particularly the evidence underpinning information • There are no concerns regarding the accuracy of data • Issues identified were a matter of custom and practice Interim CFO expressed the view that what are important are the budget meetings so that senior staff can test the evidence more frequently. Key going forward is logicality of approach and consistency of custom and practice. Data silos are a risk and must be avoided. Committee asked whether this was a people or systems issue. Interim CFO expressed the view that it is a mix and that what a CFO should be doing is coordinating and avoiding devolution. Intention now is to create user guides and set clear expectations. This is particularly important for new and/or changing staff. All agreed that the senior team and directors need to work together to ensure consistency. Unfortunately, there is no standardised	

	approach in the sector, with colleges all approaching management information differently. 4) <u>Financial planning, budget control and cashflow</u> • Audit team drew a line so as not to go back too far because of staff changes • Significant assurance, with a RAG rating of green • Two low risk recommendations • College now uses the best practice model for management accounts • Important now for the college to maintain the momentum • College now uses the integrated cashflow model 5) <u>Funding assurance</u> • This audit was split in to two aspects. Classroom based provision was reasonable assurance. Apprenticeship based provision was significant assurance. • Two medium risks identified regarding classroom delivery • For adults it is evidencing learner income • Compliance regarding learning agreements needs to improve. This is the third time that auditors have made the same recommendation. College needs to find a digital way to evidence signed agreements. Challenge from the committee was that they would want early assurance on this for the beginning of the next academic year. • Other recommendations are mainly housekeeping matters Challenge from the committee was that the college needs to ensure that there is staff buy in regarding the audit recommendations, actions and implementation. This is potentially a cultural piece that must be addressed. Challenge from governors was to ensure that audit actions required are kept 'front and centre' to ensure accountability and follow through. 6) <u>Progress against the audit plan for the year</u> • Just two audits outstanding • Follow up audit is now underway • Apprenticeship audit is planned for August 2024. Challenge from the committee was not to change the dates proposed and ensure that staff are available given that it is a usual holiday period. Interim CFO asked whether auditors had any concerns regarding their ability to give controls assurance. They confirmed that there were none at this point and there is no expectation of a qualified opinion. There is nothing to flag now which would lead to this. AGREED: to note the content of the reports provided. (Stuart McKay and Costas Calcanis left the meeting at 8.05pm)	
8	**Audit actions tracker** Interim CFO presented the report and key matters highlighted were: • This document summarises all the audit actions agreed	

	• There is one overdue action from 2023 and intention is for a training package to be provided by HR to address this • There are three IT recommendations overdue, and these are planned to be addressed in the summer All governors agreed that it was an easy to read report and that they were really pleased to see the level of transparency. AGREED: to note the content of the update provided.	
9	**Internal audit – 2024/25 Proposed Plan and updated 3 year strategy** Internal auditors referred to the 2024/25 plan and explained that it was very much a draft at this stage so that this committee has an opportunity to contribute. Key matters highlighted were: • Plan maps against the risks on the risk register and input from the audit team given their experiences in the sector. • In 2023/24 there were eight audits planned plus follow up • In 2024/25 six audits are planned plus follow up. Audit team believe that this is the minimum required to be able to give assurance. • Proposals for 2024/25 maps against key risks, including: - Cyber - Compliance - GDPR - Capital projects - Routines i.e. key financial controls - Payroll – given the size and scale of expenditure - Follow up. • Forty days proposed in the plan • Page 14 of the document outlines other areas considered and can be interchanged if the committee feels this is appropriate. • Plan is not 'set in stone' and committee have an opportunity to review again in November. Governors all agreed that it was helpful to see the 4-year indicative plan. There needs to be the appropriate range in year 1 and then the wider strategy proposed ensures that nothing is missed. Governors commented on the extent of the potential longer-term strategy and questioned college capacity to participate in so many audits. Auditors confirmed that the post 24/25 position is just an indicative long list. Assurance was provided that focus is on the high-risk areas. Auditors commented that it was helpful for the college to have several interims who are auditing 'on the ground' as they work and are making changes. Challenge from the committee was to ensure that the audit on capital projects dovetails with PSSG meetings and activity. All acknowledged that there was a lot of expenditure from several different fundings streams and therefore it was important to test this.	

	AGREED: to recommend that the board approve the 2024/25 Internal Audit Plan as proposed and note the updated 3 year strategy. (Paul Goddard left the meeting at 8.15pm)	
10	**Risk Management** Interim CFO presented the updated corporate risk register and updated risk appetite statement. He reminded that these have been updated and reviewed following discussion at the last meeting. In relation to appetite, all but one is 'cautious'. Intention is for ELT to review the strategic risks again over the summer and an update will be provided to the next meeting (CFO, September 2024). AGREED to: a) Note the content of the corporate risk register, and b) Approve the updated risk appetite statement	
11	**MPM – report and summary of common issues to be aware of** Interim CFO introduced this item and key matters highlighted were: • No MPM matters to raise at this meeting • Financial Regulations have been changed to require that all MPM notifications/requests for clarification are to come via this committee or at least the committee Chair first. • There are several lessons to be learned in the sector and information was provided in relation to Weston College. • MPM will lead to cultural changes in the sector • Weston College is now in formal FEC intervention AGREED: to note the content of the update provided.	
12	**College Financial Handbook – Summary for Governors** Interim CFO presented the summary and explained that he has condensed a 2,000 page document down to 40 pages. The College Financial Handbook document is aimed at 'officers' whereas what is provided now is a governors guide. Intention is to circulate printed versions to all governors. Committee all agreed that it was a handy checklist. AGREED: to note the content of the update provided.	
13	**Fraud, Irregularity and Whistleblowing** Interim CFO confirmed that there were no matters to report to this meeting or in 2023/24. There is one matter being reviewed by the HR department, but it is not believed that it will be found to be fraud. AGREED: to note the content of the update provided.	

14	**ICO Reportable Incidents** Interim CFO confirmed that there was just one data security breach, the details of which were included in the Head of IT's report earlier. AGREED: to note the content of the update provided.	
15	**Committee Annual Review for 2023/24** Director of Governance introduced her report and confirmed that this was an opportunity to reflect on the current academic year and plan for next. This includes self-assessment, terms of reference, meeting dates and a work plan. Comments and observations from the committee were: • Important for this committee and Finance committee to respect their different roles and responsibilities and also be clear where these connect. • Real improvements seen in the year with clarity of information now evident. • This links in with the plan to simplify board papers • It was good to have the Head of IT attend today to provide input and participation. It I,s important that his voice is heard within the organisation including governors. • Feels like an effective committee • Is it possible when receiving reports to benchmark more with sector peers to see better where the college sits, and an example given was the number of recommendations in the internal audit reports. Challenge from the committee was that 'reasonable' assurance isn't acceptable and that what the college needs to see is more substantial assurance and a stronger position. Interim CFO expressed the view that the college needs to manage the audit processes more effectively. • In terms of actions going forwards there are some key themes becoming evident and it would be helpful to pull these together in the plans. • Very helpful to have perspectives from interim senior staff. Need now is to maintain momentum going into next year and throughout the organisation. • Committee membership is positive in terms of diversity of thought, skills and backgrounds. AGREED: to • Note the content of self-assessment discussions • Recommend that the terms of reference roll forward into next academic year unchanged • Recommend that board approve continuing committee membership to give consistency • Note the meeting dates for 2024/25 • Note the work plan for 2024/25.	

16	**AOB** There were no items of additional business, but committee took the opportunity to consider whether there is anything specifically for this group to do in terms of Ofsted preparation. Interim CFO expressed a view that there isn't and that there is much more for QTSE to consider.	
17	**Date and time of next meeting** This was confirmed as 18th September 2024 at 6pm on Teams.	
18	**Confidential minutes of the meeting held on 23rd April 2024** The minutes were reviewed, and it was agreed that they were an accurate record of discussions. AGREED: to approve the confidential minutes of the meeting held on 23rd April 2024. There were no matters arising. Meeting closed at 8.45pm.	