Barnet and Southgate College Corporation
Audit & Risk Committee meeting
held on Wednesday 18th September 2024
At 18:00 on Microsoft Teams

Governors present: Diane Moore, Chair
Thomas Streater
Adam Morley

In attendance: Maxine Bagshaw, Director of Governance & Corporation Secretary
Ian Rule, Interim CFO
Leisyn Cox, Internal Auditors (Scrutton Bland)
Stuart McKay, External Auditors (MHA)
Neil Coker, CEO and Principal

The meeting opened at 18:00 and was quorate

Item	Description	Action
1	**Preliminary items** **1) Apologies for absence** Apologies for absence were received from Alex Middleton and Paul Goddard (internal auditors). **2) Confirmation of eligibility, quorum and declarations of interest** It was confirmed that the meeting was quorate and there were no declarations of interest made. **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. Chair welcomed Ian Rule to the meeting and a brief history of his experience in the sector and previous work with the college was shared.	
2	**Minutes** **1) Minutes of the meeting held on 9th July 2024** The minutes were reviewed, and it was agreed that they were an accurate record of discussions.	

AGREED: to approve the minutes of the meeting held on 9th July 2024.

2) Matters arising and outstanding actions

Committee considered the action tracking document, and it was agreed that:

- Line 1 – a cyber/digital security annual report would be provided at the next meeting. Committee acknowledged that Costas Calcanas had provided a presentation at the July 2024 meeting but, given the critical importance of this area, an update on key developments, targets and KPI's would be welcome
- Line 2 – an ongoing requirement that policies have clear version control systems in place.
- Line 3 – an update on fire risk action plans i.e. progress made to complete actions would be provided at the February 2025 meeting.

Committee then discussed the concerns highlighted at the July board meeting in relation to payroll and the summary report provided by the interim CFO. Key matters highlighted by the interim CFO were:

- College was obliged to change the HR and payroll system to ensure continuity of service from third party provider and there have been some challenges in relation to this.
- The changes have contributed to the level of stress for the payroll officer who is currently away from work.
- Her absence highlighted the fact that managing and running the payroll function had a single point of failure.
- Cintra, the system provider, was commissioned to provide support in July and August however they have only helped with payroll and not pensions.
- There is a pensions backlog and staff are currently working through this.
- September is a particularly challenging month given the high number of new starters and the fact that the pay award is to be applied and backdated.
- A division of recording between the HR and payroll systems needs to be addressed. There is a staff training need identified.

Interim CFO explained that, whilst it was not an ideal situation, he was confident that the college could get through September and then the situation would start to be easier to manage.

One governor asked whether the implementation challenges are because of the service provider or the college. Interim CFO explained that currently only the payroll system is live and not the full HR system which is not ideal. He expressed a view that in hindsight the college could have migrated or changed service provider with more planning and focus. In effect Cintra is providing a completely different software solution rather than it being a development of the old system used. Challenge from the

	committee was whether the college should continue with Cintra as the provider. Interim CFO expressed the view that it will be in the college's best interests to allow the system to bed in, obtain some stability and then potentially review rather than looking at another provider now. Another change in the short term would simply duplicate the problems and challenges. Committee asked whether there are any potential reputational risks. Interim CFO stated that there would be if the college fails to process payroll correctly, however it is not believed that this is a significant risk. For most staff the pay situation is stable. Where there are risks, it is in relation to sessional contracts, overtime, expenses etc. College also wants to ensure the pay award is processed correctly. Interim CFO expressed the view that there are now enough checks in place to give assurance on all of the above and therefore the level of risk is low. Committee Chair asked whether it would be possible to press pause on implementing the pay award in September if there is a lack of confidence regarding the delivery of accurate outcomes. Interim CFO expressed the belief that it will be possible to achieve the pay award, however potentially there is a 'halfway house' i.e. back pay to be processed in October rather than September. Challenge from external auditors was that the pension contribution position needs to be reviewed as soon as possible as there are elements that can be missed. Committee agreed that, because there is a pension back log, there is a need to either conduct an internal review or alternatively, if more resources are required, ask internal auditors to review. Chair stated a preference for an internal review if feasible in the short term. In relation to the payroll function, it was agreed that a further report would be provided to the February committee meeting, with this report to include information on structure, systems support and staffing. (Interim CFO, February 2025). In addition to this, at the next meeting, Costas Calcanas to be asked to expand his February 2025 report to include a review of all critical systems that the college depends upon i.e. what they are, vulnerabilities, mitigating actions etc. (Costas Calcanis, November 2024). Governors all agreed that they would like a better degree of comfort regarding systems across the estate. AGREED: to note the content of the update provided.	
3	**Financial performance (standing item)** Interim CFO referred to the June 2024 Management Accounts provided, and confirmed he has seen nothing since which would raise concerns. Team is still working on the draft July Management Accounts. He expressed the view that there is a team training requirement. This is taking place now and will then need a period to be embedded.	

	Interim CFO stated his discovery that bank reconciliations had not taken place since January 2024, and it is not understood why. This is an important control that is missing and needs to be addressed as a matter of urgency. He advised that there is a positive discrepancy i.e. more cash in the bank than appears on the ledger and therefore it may be that the full income position has not yet been posted and accounted for. He expressed the view that the college seems to be on course for the £1.5 million deficit budgeted for but agreed this this was subject to the outcome of completing the bank and balance sheet reconciliations. He provided assurance that additional staff resource has been secured to support the year end. Committee expressed concern that this failure was not picked up earlier internally i.e. via reports to the executive and monitoring of KPI's. They requested that the executive team conduct a postmortem root cause analysis. All agreed that effective KPIs must be in place to monitor the financial position. Request from committee was to conduct an urgent root cause review with an update to both ELT and the board (Executive, October 2024). CEO expressed the view that the volume and complexity of information provided within committee and board reports could lead to something being missed and therefore the intention is to review the number of KPIs so that they are more focused and realistic. Interim CFO advised that balance sheet reconciliations have also not been done since January and that this needs to be addressed, however the bank reconciliations are the most significant area of current focus. In terms of the balance sheet reconciliations, he explained that it includes several elements including accruals and pre-payments. He confirmed that the team are also reviewing how capital grants have been accounted for. Challenge from the committee was that root cause analysis needs to be done in parallel with the external audit and include a review of and proposals for KPIs to monitor key financial functions. Challenge from one member was there had been no whistleblowing internally. The failure to complete reconciliations had not been escalated as one might have imagined. Stuart McKay, External Auditor indicated that, as there are known control deficiencies, this will likely change the direction of the external audit. In the chat function he advised the committee members that the new regularity requirements require that the college must establish an internal control framework that includes: • Ensuring delegated financial authorities are complied with and segregation of duties maintained • Coordinating the planning and budgeting process • Applying discipline in financial management, creditors, debtors, cashflow and monthly bank reconciliations • Management and oversight of assets including maintenance of a fixed asset register • Regularity, propriety and value for money	

	• Reducing theft and independent checking of controls, systems, transactions and risks. He indicated that, because of the information shared today and depending on subsequent audit testing it may be that the college has a qualified regularity report. He provided assurance that MHA would work with the interim CFO to avoid qualification if possible. Challenge from the committee was that a full report is needed on the college's internal controls to give confidence regarding transparency and that there are the right checks and balances in place. All agreed that this makes it critical for the new CFO to have the necessary experience of finance and people management skills. AGREED: to note the content of the update provided.	
4	**Internal Audit Reports 2023/2024** 1) Follow up on previous recommendations Internal auditors confirmed that the work was completed, and a draft report issued to the college. However there were significant outstanding actions that the college has not yet been able to evidence as complete. Proposed approach is to take more time to evidence the follow up which will allow a greater degree of assurance in the annual report. CEO expressed the view that there is more that the college can do to prepare staff for audits and gave assurance that there should no further delays in completing actions as the executive/SLT now have this as a priority focus. Committee were advised that for many of the actions staff indicate that they are complete however the college has not yet been able to provide sufficient evidence of this to internal auditors. CEO acknowledged that there is a change in culture needed with a better level of oversight, documentation etc. Challenge from the committee was that the organisation needs to be more consistent to give confidence regarding the effective implementation of actions. Interim CFO advised that he has suggested that 'follow up' is not done once a year going forward and that instead internal auditors take a more periodic approach to reviews. He expressed the view that the college appears to have a good internal tracking system in place, however this simply doesn't tie up with the evidence which needs to be provided to internal auditors. It was confirmed that the final version of the follow up report would be presented to the next meeting (Internal Auditors, November 2024). 2) Apprenticeship Development audit Internal auditors advised that the proposal is to move this review to the 2024/25 academic year rather than 2023/24. Committee were given assurance that this will not affect internal auditors'	

	ability to give a full 2023/24 audit opinion. That said, as the fieldwork for this audit is scheduled for next week it could be possible to include as part of 2023/24, if the committee considers this would be preferable. CEO advised that the college does have a growth plan for apprenticeship delivery and that some of this is already coming to fruition, albeit with challenges, and an example given was the size of the contribution levels. He reminded that £800k is budgeted for 2024/25 and that the college is currently on track in relation to this. Following discussion, the committee were content to agree the proposal that this audit move into the 2024/25 plan rather than 2023/24. 3) 2023/24 Annual Report It was confirmed that the final version would come to the next meeting in November. College has had early sight of a draft, however wants to improve the position regarding the follow up audit. Scrutton Bland have confirmed that they will support with this. AGREED: to note the content of the update provided.	
5	**Internal Audit 2024/25 - timetable for planned fieldwork** Internal auditors confirmed they are confident that the committee has had the necessary discussions to inform the 2024/25 plan. They particularly highlighted the fact that it will include payroll and apprenticeship development. Intention is also to test some elements of income recognition. All agreed that this would be helpful given earlier discussions. Committee noted the planned fieldwork dates and encouraged the CEO to ensure staff meet the suggested timetable. AGREED: to note the content of the information provided.	
6	**Audit Actions Tracker** Interim CFO presented the tracking document and expressed the view that there is a good system in place at the college. This includes clear ownership and accountability, with the tracker regularly being updated. However acknowledged that what is presented however does not align with the internal auditors' follow up review and this needs to be better understood. He explained that there are several actions which have fallen behind the deadline agreed but this is not significant. He said the issue appears to be a lack of evidence rather than a lack of action and that the timing of the fieldwork testing i.e. the summer term will not have helped as staff take annual leave in July and August. Committee accepted the update but challenged that SLT must own and oversee the actions and accountability going forward.	

	AGREED: to note the content of the update provided.	
7	**Risk Management – 2024/25 Register** Interim CFO confirmed the intention to review the risk register with the senior team. He expressed a view that the register, as currently created, has a lot of information in it which means that it takes a long the time taken to update. Format is to be reviewed with the intention of updating for 2024/25. Report presented to this meeting is a one-page review setting out the 'direction of travel'. He drew committees' attention to the fact that one risk score has improved whereas one is worse, with the remainder stable. Committee acknowledged that the update is a 'work in progress' and stressed that it is useful at this meeting to see the update provided by the risk owners. Interim CFO advised that the register is intended to give a 'birds eye' view with the aim being to flag any issues that need to be brought to Governors' attention at this meeting. All agreed that it was important to have robust mitigation plans in place and periodic stress testing completed. Interim CFO expressed a view that some actions and scores may need to be reset so that they are a more accurate reflection of either likelihood and/or impact. AGREED: to note the content of the update provided.	
8	**ICO reportable incidents** CFO confirmed that there have been no incidents to report since the last meeting.	
9	**AOB** It was confirmed that there are no additional matters to be considered.	
10	**Date and time of next meeting** This was confirmed as Tuesday 26th November 2024 at 6pm. Chair asked external auditors for an overview of their planned activity in advance of the next meeting. Stuart McKay advised that the intention is to report to the joint meeting with Finance committee in December, however he acknowledged that it may be appropriate for MHA to come to the November Audit committee meeting too to provide an update on audit progress, particularly if there is a likelihood of qualification. He agreed to flag up any issues on this early to the CEO who would then communicate to committee, and specifically the committee chair, as required.	
11	**Confidential items**	

	It was agreed that confidential items would be discussed and recorded on a separatley. (Stuart McKay and Leisyen Cox left the meeting at 7.15pm) Meeting closed at 7.40pm.	