Barnet and Southgate College Corporation
Audit & Risk Committee meeting
held on Tuesday 26th November 2024
At 18:00

Governors present:	Diane Moore, Chair Alex Middleton Thomas Streater Adam Morley
In attendance:	Maxine Bagshaw, Director of Governance & Corporation Secretary Ian Rule, Interim CFO Neil Coker, CEO and Principal Leisyn Cox, Internal Auditors (Scrutton Bland) Stuart McKay, External Auditors (MHA) - from 7pm to 7.20pm Costas Calcanis, Head of IT Simon Evans-Evans, COO

The meeting opened at 18:05

Item	Description	Action
1	**Preliminary items** **1) Apologies for absence** There were no apologies for absence received and it was noted that Stuart McKay, from external auditors, would join the meeting later to give an update on external audit progress for 2023/24. **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 requested in advance of the meeting. Chair took the opportunity to pass on congratulations to the college for the Ofsted outcome following inspection last week. All agreed that this was a well-deserved result and represented the hard work of the SLT, all staff and students.	

	Committee were then provided with an update on permanent CFO recruitment, and it was explained that the second round attempt to recruit was unfortunately not successful, with the selection panel not in a position to recommend an appointee following interviews. Chair confirmed that the intention is to 'regroup' and devise a plan in relation to next steps.	
2	**Minutes** **1) Minutes of the meeting held on 18th September 2024** The minutes were reviewed, and committee were content that they were an accurate record of discussions. AGREED: to approve the minutes of the meeting held on 18th September 2024. 2) Matters arising and outstanding actions Committee was content to note the tracking document provided. In relation to line 6, committee discussed the requested root cause analysis review of the colleges failure to complete monthly bank reconciliations. Committee agreed that they would want to see this in writing rather than a verbal update. This is to ensure that the board has a clear understanding of why there was a systems failure, with a focus on what the organisation has learned to avoid anything similar happening again. It was agreed that the interim CFO would provide a one-page summary which would be presented to all governors at the December board meeting (CFO, December 2024). Interim CFO provided a brief verbal update on the key matters highlighted: • Bank reconciliations completed up to the point of Hiten Savla leaving in April 2024. • Bank reconciliations not completed after that date with February 2024 being the last month reconciled. • It is not possible to explain why the failure to undertake reconciliations was not identified before current interim CFO joined in August 2024. View expressed by staff was that the failure was largely down to changes in personnel and that localised ways of working meant that there was a lack of information shared following personnel changes. Committee were given assurance that the impact of the failure is minimal with no impact on the financial position. The failure may not result in an external audit impact, however there is likely to be a management comment on the matter. In relation to the requested summary report to December Board, Chair indicated that a number of aspects should be included: • Timeline • Documented roles and responsibilities with clarification regarding any gaps and how they have been or will be addressed	*

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- Summary of potential risks/exposure
- Package of templates to be created for staff
- How the organisation ensures that this will not happen again e.g. monthly briefing pack to the CEO.

Committee asked when MHA started their audit work for 2023/24. Interim CFO indicated that fieldwork started in earnest in the middle of October 2024. Challenge from the committee was that they would also like to better understand why MHA didn't identify the failures regarding bank reconciliations earlier. Checks and balances haven't worked on this occasion, and committee wants to ensure that the organisation avoids anything similar. Challenge from the committee was that there needs to be discipline in place to ensure effective handover arrangements when there are changes in personnel, both for permanent and interim appointees. Committee observation was that this is an example of a single point of failure i.e. the same as experienced with payroll and that the organisation must learn from this.

CEO advised that the intention is to now review the structure of the finance team. He explained that this had been put on hold in anticipation of a permanent CFO being recruited however, as this is no longer imminent the structure review will commence.

Chair invited the interim CFO to provide an update on the external audit underway. Key matters highlighted were:

- An update meeting later this week.
- Draft accounts have been sent to them to review, albeit they were sent late.
- College is aware of several adjustments that need to be made and will consider these alongside any adjustments identified by MHA.
- There are some transactions from July 2023 which have not been 'released' and this needs to be done. These relate to expenditure which is still sitting on the balance sheet.
- Focus for the college is avoiding, if possible, a breach of the EBITDA bank covenant.

Challenge from the committee was that they would want to see a summary of potential 'ups and downs' in relation to any previously reported position, together with a summary of impact if they do/don't materialise. Interim CFO confirmed that the organisation will have a clearer view early next week and the intention is to provide a summary to the Finance committee at its meeting on 12th December. It was agreed that a copy of this report/summary would also be shared with Audit and Risk committee members (Interim CFO, December 2024).

Committee were advised that the college will have to discuss with the bank any potential breach before the external auditors can sign off the accounts. Possibility of a breach has already been flagged to Lloyds. Interim CFO expressed the view that it is unlikely that Lloyds will want to call in the loan, even if there is a breach, however he agreed this needs to be confirmed with them.

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	Committee agreed that any breach of bank covenant could potentially impact 'going concern' and therefore needs to be reported to this committee as well as the Finance committee. Committee were reminded that the college has applied to the ESFA for a filing extension. This was requested to end February 2025, however has only currently been agreed to the end of January and ESFA have been contacted to clarify as end of January does not give sufficient time given planned committee and board meeting dates. Expectation is that ESFA will agree to extend the filing deadline to the end of February 2025. AGREED: to note the content of the updates provided.	
3	**Cyber/Digital Security Annual Report** Head of IT referred to his detailed report circulated in advance with key matters highlighted including: • No significant change against the July report. • Team has been working through the health check recommendations. • Organisation will continue with health checks in 2024/25 and there is also a planned internal audit review. • College works with Jisc and undertakes both internal and external checks. • All improvement recommendations are followed up, however there is an ongoing body of work required in relation to this. • There are several challenges including: - Newer technologies - AI e.g. being used to improve phishing attacks • College has made improvements in several areas including disaster recovery and firewalls. • Intention is to continue with internal housekeeping i.e. archiving and deleting data. Committee were then referred to the summary provided regarding internal phishing simulations with staff and students. Staff advised that the college receives between 5-10 genuine phishing attacks per week which are prevented and therefore there is a need to make sure that all users are well educated and know what to do when a phishing attack occurs. Phishing simulation results have been analysed and next steps identified. One governor asked whether there was any feedback on this year's new intake of students i.e. are they better prepared in terms of IT skills than previously. Staff advised that a success this year had been the number of students setting up and using MFA. There are good compliance rates as most students have mobile phones which are required for MFA. MFA is only required if students are accessing systems from outside the college. Assurance was given that a lot of training has been provided to staff so that they can support students in relation to this. One governor noted that the whole college address book is open to all users and questioned whether this is a risk. Staff confirmed	

	that there are tools that can be used to mitigate this risk if a phishing attack is successful. However a key reason for the openness of the address book is to allow effective communication between teachers and students and therefore a balance has to be struck. AGREED: to note the content of the update provided.	
4	**Assessment of Critical Systems Report** Chair thanked the Head of IT for the helpful report, particularly as it covers the whole organisation. She requested that the report be shared with all governors at the December Board meeting so that they can receive assurance regarding all key functions including finance, payroll and single points of failure (Committee Chair, December 2024). Head of IT described the review as a collaborative and collective response to potential risks and that the review outcomes all fit in with disaster recovery planning. He confirmed that the review has led to several actions identified for the future which will now be progressed. Recommendation from the Head of IT was for specific training for governors in relation to cyber security as they could be a key target for phishing attacks given their access to sensitive information. CEO advised that the team are creating a briefing pack for governors which will support development in this area. Chair confirmed that within her summary report to the board she would highlight this (Committee Chair, December 2024). AGREED: to note the content of the update provided. (Costas Calcanis left the meeting at 7.00pm and Stuart McKay joined)	* *
5	**2023/24 Internal Audit** 1) <u>Follow up report</u> Internal auditors referred to the detailed report circulated in advance with key matters highlighted including: • Audit work initially completed in July 2024 however there were some challenges regarding evidence and hence no management responses available as yet. College has been working over the last two months to provide all evidence required, however there are still some outstanding. • Of the 36 recommendations review auditors found that 9 have been implemented with the remainder either being in progress, not implemented or audit team unable to reach a conclusion in relation to them. • It has been agreed that internal auditors will conduct 'follow up' three times during the academic year rather than once per year to try and make the work required more manageable.	

- Aim of bringing this report to this committee meeting, although without management comments, is so that the year can be closed off and the annual report issued.

One governor asked why there are elements that cannot be currently concluded. Internal auditors indicated that there were several contributing factors, including:

- Challenges of getting to speak to relevant staff
- Logistics
- Summer period

In summary while auditors have not been given the evidence it may exist, and that this will be part of the focus for 2024/25.

Challenge from one governor was that there are still some 2022/23 actions outstanding and whose responsibility is it to conclude these. Internal auditors indicated that, once recommendations have been made and accepted it is then for the college to progress implementation and monitor this.

In relation to the HR review, one governor noted the comment that ‘in a number of instances staff had started their employment without references having been obtained’ and he asked for further information on this. He also asked for assurance that all staff have DBS’s in place before they commence employment. CEO advised that references and DBS’s were an element tested by Ofsted last week and they were satisfied with the processes in place. College policy is to always to have a DBS in place before employees start or, in exceptional circumstances where it is not possible, an individual can be risk assessed, and mitigating actions agreed e.g. always being accompanied on site. He confirmed that the organisation does always request references however, in certain circumstances this can be a challenge, for example where there is a quick turnover of agency staff.

CEO advised that the work is underway now to provide the evidence required to show that agreed actions have been completed and provide a summary to the December board meeting (Interim CFO/CEO, December 2024). *

Interim CFO stated that the college’s system of internal tracking is good however there is a mismatch between this and the ability to produce evidence to support this. The more regular follow-up planned in 2024/25 will help to address this. He expressed a view that change in personnel has not been helpful and that, what is proposed today as the final report, is a pragmatic approach reflecting the current position of the organisation.

AGREED: to note the content of the report provided.

2) <u>Annual report</u>

Key matters highlighted included:

- ‘Green’ assurance opinion

	'Amber' opinion in relation to internal controls, principally because of the limited progress on actions previously agreed - Summary of work completed during the year - Majority of the report is in a standard format - Appendix A gives a summary of the work, and the opinions provided - No high-risk recommendations in the year - Number of medium risk recommendations less than in the prior year - No limited assurance opinions - BSC position is comparable to others in the sector Committee acknowledged that there were no surprises within the report which reflects clear reporting throughout the year. Challenge from the committee was that they would want to see improved performance reflected in follow up audits as well as stronger assurance levels regarding internal controls. AGREED: to note the content of the annual report provided.	
6	**2024/25 Internal Audit** 1) <u>Apprenticeship Development</u> Internal auditors presented their report with key matters highlighted including: - Reasonable assurance opinion - Context for the review also included i.e. audit conducted in September and therefore not much evidence available to show activity planned but did also reflect the position in 23/24 - College had a shortfall in 2023/24 of circa £400k against target 2024/25 target is +£250k on what was achieved in 2023/24 which will be a challenge. - There are one medium and two low risk recommendations: - College to look at the internal resources available to deliver the target - Action plan to sit alongside the growth plan - Growth targets to be included within the curriculum strategy - Greater clarity in relation to contribution levels expected and/or which are acceptable CEO advised that the college has very consciously not put targets in the curriculum strategy and instead put these in the supporting business plans. He indicated that, whilst the senior team will look at internal resources, there is already an expenditure wish list for investment. He provided assurance that there is regular KPI reporting regarding apprenticeship provision, as well as regular budgeting reports, and therefore he feels confident that this area is closely monitored.	

	Challenge from one governor was to be cognisant of changing government policy and implications that this will have for apprenticeship provision. College should aim to be ahead of the changes as far as possible. Challenge from one governor was why the assurance opinion is 'reasonable' rather than 'significant'. View expressed that the recommendations did not appear to suggest a lack of control and therefore asked what the driver is for 'reasonable' instead of 'significant'. Internal auditors referred again to the fact that the audit was completed in September and therefore limited progress at that stage, however they agreed to review and consider whether a change to significant is appropriate given college responses and the Ofsted assessment of outstanding. AGREED: to note the content of the report provided. Following the meeting Scrutton Bland advised that after further consideration they had upgraded the report as 'significant' assurance. 2) <u>Progress against the plan for the year</u> Key matters highlighted were: • One audit completed and reported on as this meeting • GDPR audit scheduled to take place the following week • All other audits are scheduled to take place during the year AGREED: to note the content of the update provided.	
7	**2023/24 External Audit – Progress Update** External auditors were invited to provide comments to committee: • Catch up scheduled with the college on Thursday of this week • Aim is to get the work completed this side of the festive break • ESFA extension to the filing deadline has been provided AGREED: to note the content of the update provided. (Stuart McKay left the meeting)	
8	**Regularity Self-Assessment Questionnaire 2023/24** Interim CFO confirmed that many aspects are similar to the prior year position and that within the document any key changes have been highlighted. All agreed that the content was self-explanatory and therefore they were happy to recommend to the board for approval. CEO advised that external auditors have received a copy of this document and have raised a question regarding a PILON payment. The Chair encouraged the CEO and interim CFO to provide the	

	considerable amount of supporting information to MHA to facilitate their review of this item. AGREED: to recommend that the board approve the Regularity Self-Assessment Questionnaire as presented.	
9	**Schedule of Musts 2023/24 - College Response** Interim CFO confirmed that the position has been compared with the prior year and any changes highlighted. College has been transparent with two issues identified: • Failure to complete bank reconciliations on a monthly basis and • PILON permission In relation to bank reconciliations, one governor asked whether there has been any analysis of potential fraud, and any potential risks associated with this. Interim CFO confirmed that all the bank reconciliations have now been completed with no issues arising. He confirmed that there were no significant transactions which occurred in the period where reconciliations were not completed, and he expressed a view that the organisation has other controls in place which were effective. AGREED: to note the content of the document provided.	
10	**Audit Actions Tracker – internal progress monitoring** As previously discussed, the process for internal tracking is strong, however there is a mismatch between what is recorded internally versus the evidence provided to internal auditors. Suggestion made was that, at future meetings, this item sit alongside any follow-up reviews conducted by internal auditors. Whilst committee were content to agree this they would not wish internal audit follow up reporting to replace the colleges own internal tracking processes. AGREED: to note the content of the update provided.	
11	**Risk Management** 1) <u>Corporate Risk Register 2024/25</u> Interim CFO confirmed that this has now been updated by the executive, however has not yet been circulated to committee members. He provided assurance that a thorough review has been undertaken with the proposal for nine corporate risks. It was agreed that the updated risk register would be circulated to committee members, with any questions or observations to be provided by email. The risk register will then be shared with full board (Interim CFP/Committee Chair, December 2024). 2) <u>Board Assessment of Fraud Risk</u>	*

	Committee commented positively on the review and summary provided and agreed that it was a helpful document for the organisation and an effective method of showing oversight and scrutiny. AGREED: a) to note the content of the document provided b) Recommend that the board approve the proposed assessment of fraud risk.	
12	**Policies** 1) Gifts and Hospitality Governors were invited to consider the 2023/24 annual return and all acknowledged that as expected there was very little activity. Committee was content with the rigorous processes in place. Committee considered the proposed update to the Hospitality Policy and all agreed that proposals were self-explanatory and suitable to recommend to the board. Interim CFO confirmed that there were only very minor updates from the previous version. 2) Anti-bribery Policy Interim CFO confirmed that he has incorporated the government recommendations in line with an internal audit recommendation. Only minor amendments to job titles, names etc. have been made AGREED: a) To note the content of the updated provided b) Recommend that the board approve the updated Gifts and Hospitality and Anti-bribery policy as presented.	
13	**MPM Monitoring Report – 2024/25** Interim CFO provided a verbal update and clarified that this was no longer required as a standing item as a formal return to the ESFA was only required in the first year of transition. He indicated his understanding that the next annual submission is required in 2027. Committee asked that he check this date and confirm at the next meeting (Interim CFO, February 2025). Interim CFO also noted that MPM monitoring elements are already covered within the Regularity Self-Assessment Questionnaire and the schedule of musts considered at this meeting. Director of Governance reminded that a previous request from this committee was to have a regular opportunity to review any MPM implications, with a forward-looking view to be considered where necessary. This is different to an annual review looking back over the year. Interim CFO highlighted that there is one element that he must check i.e. is having a CFO who is not on the payroll an MPM trigger that needs reporting/permission. He indicated that in early guidance this was proposed but was unsure whether it was included in final requirements. He undertook to check the position	*

	and report back at the next meeting given that the college has not yet been unable to recruit a permanent CFO (Interim CFO, February 2025).	*
14	**Fraud, Irregularity and Whistleblowing** Interim CFO confirmed that there were no instances to report.	
15	**ICO Reportable Incidents 2024/25** Interim CFO confirmed that there were no instances to report.	
16	**AOB** Committee noted the content of the RSM sector publication which summarises FE emerging issues in the autumn term 2024.	
17	**Confidential minutes of the meeting held on 18th September 2024** 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 18th September 2024. There were no matters arising.	
18	**Date and time of forthcoming meetings** Next meeting date was confirmed as 4th February 2025. 5-6pm on this date will be the rescheduled joint meeting with the Finance Committee and then at 6pm substantive Audit and Risk Committee meeting. Meeting closed at 19.47pm.	