

Audit Committee – Part I Minutes							
Date/Time	3 rd December 2020 4.00pm	Location		Virtual (Microsoft Team)			
Attendees		Initials			Attendees	Initials	
John Lawlor	JL	Graham Briscoe	GB	Jane Dumeresque	JD	Morgen Witzel	MW

Apologies	Initials	Reason	ACTIONS
Dan Morrow	DM	Work Commitment	
			QUESTIONS AND CHALLENGES
In Attendance	Initials	Position	
Tania Skeaping	TS	Chair of Trustees	
Susanne Kiff	SK	CFOO	
Hazel Fox	HF	Interim CEO	
Steve Perkins	SP	Trust Accountant	
Pamela Tuckett	PT	External Auditor, Bishop Fleming	
Pete Last	PL	DMAT Trustee	
Melissa Trudgill	MT	Governance Manager	

Meeting started at 4.05pm

(The meeting was recorded for the purposes of minute taking and was destroyed on 8.12.20)

1 - Apologies
Apologies were received from Dan Morrow and these were sanctioned.
2 – Declaration of Interest
All Trustees present were reminded to declare any conflict of interest that may arise during the meeting.
3 – Minutes of last Audit Committee Meeting
Minutes from: Audit Committee meeting held on 15th September 2020 were agreed and will be signed as correct by JL, after the Covid 19 crisis.
Matters Arising:
<ul style="list-style-type: none"> • Tolerance levels – JL and SK need to speak to the internal auditors about the points which need to be brought to their attention. More direction is needed from the Trustees about what is being tested to ensure that the best value is received from the internal auditors. SP has asked for a list of the tests from the internal auditor, but they were unable to provide a list of specific tests to be carried out. More detail will need to be given by SP and SK on what should be tested. Q TS asked whether the lack of a risk register had caused this lack of direction

and delay? JL agreed that this was partly the issue, but there needs to be a discussion on the level of detail which the auditors go in to. SP agreed that the risk register was the starting point for directing the area and scope of the work to be tested.

- SP has created an audit tracker and JL remarked that it was useful to display the remaining actions and ages them. SP confirmed that he had cleared the 2 outstanding actions.
- JL has postponed the discussion with DM re the change in name of the Audit Committee (to include 'risk' in the name of the committee).

4 – External Audit Report and Draft Accounts

Draft Annual Accounts

Revisions had been noted and a new draft had been sent out. SP had found some corrections in the presentation notes which have since been rectified. It was noted that the substance of the accounts has not changed. GB said he had some suggested amendments to the narrative.

PT from Bishop Fleming made some headline points:

- Reserves Policy page 9 – our policy indicates reserves target is 2 months of expenditure, which would equate to £4.5 million. The Trust has £3.2 million currently (1.4 months) so not quite 2 months, but 11% of income.
- Further guidance on claiming additional COVID costs has been issued by the DfE and it is unlikely that the Trust will be able to claim for any additional Covid costs. This is because the DfE has decided that if the reserves held are higher than 4%, they will not give you any additional funds. SK recently attended an ESFA round table event where it was advised that if reserves dip below 2%, they start to get concerned – (equivalent to approximately 1 week). This is the first (indirect) messaging from the ESFA about what the reserves should actually be.
- **Q GB asked, based on the guidance of 4%, how much are we over on our reserves policy?** Income is £28.7 million, but JD added that this is not the only factor (calculated on x weeks or x months is less appropriate for a Trust when some of the revenue is certain) and capital expenditure and cashflow needs to be considered. DM, SK and SP are looking at the reserves policy as it is not very clear. PT advised that for the Trust 4% is £1.15 million and currently at £3.2 million. SP reminded the meeting that PT is not saying we should have reserves 2-4% and PT agreed that it should include risk factors and future plans. It should be noted that the ESFA are not saying Trusts are not permitted to have excess of 4%. The 4% is only applicable for claims for additional COVID expenditure.
- Page 25 – statement of financial activities – apart from donation from LA last year – the numbers are pretty similar to last year with income being very consistent. Expenditure is higher because we have 2 million of capital.
- The statement re net movement in funds shows a £2.4 million deficit. This may seem concerning but PT can reconcile that back to normal day to day operating activities and it can be analysed on the academies benchmarking report.
- **Q JL asked have we balanced our books on a normal expenditure revenue basis?** We have an in-year surplus, brought forward surplus and a carry forward surplus and whilst we are behind re the reserves policy, it is a healthy position. Most of MATs PT sees are .5 - 1 month is the norm for most MATs, so DMAT is at the higher end.
- P27 – the benefit pension liability has increased. The cash at bank has not gone up but it includes £1.4 million capital grant not spent. P36 shows the exceptional government funding of £314,000 and is a mixture of exceptional costs claimed for Covid and furlough and SP asked if this is a requirement in the AAD? PT confirmed it was. P37 – £284,000 (Covid) and £30,000 for the furlough are the additional one-off income the Trust has had this year.
- Pension scheme – p60 valuation on teachers' pension scheme showing 23.86% as the contribution employer rate. To offset this, a Teacher Pension Grant has been received in. BF clients are broadly finding it covers the

cost but is based on an average basis from the government. Salary cost as a percentage of total costs has gone up due to the pension rise so this has had a knock-on effect. This had cost the Trust Top line £2.6 million compared to 1.7 million in the previous year. **Q SP asked PT if there had been any information about teachers' pension grants going forward?** PT explained that the government has committed to pay the teachers' pension grant, but not indefinitely to pay teachers' pay grants and there may be a time when the Trust may have to pay this themselves.

- PT made Trustees aware of all the related parties' transaction disclosures on p64. **Q PT asked if the Trustees were happy with what has been disclosed there?** PT said that anything with a Member, Trustee or Sponsor is at cost, if it is over £2500 and that you have clearance from the ESFA. The meeting was satisfied with the disclosures and procedures in place.

Completion Report

- PT confirmed that the audit was complete and that she would await the finalised Trustees' report. BF can be informed of any slight amendments and any changes can be processed by BF into the final accounts for signing.
- Key risks are in section 2 (standard audit work) and there have been no concerns on those.
- Regulatory risks – 3 standard regulatory risks, which BF have on all academy audits (risk of an unauthorised transaction, procurement procedures, value for money) and related parties searches so nothing gets missed and any potential borrowings or leases which might be a finance lease, but BF have not found any issues.
- Valuation – there is now a property valuation in for Highampton. Last year there was a valuation of £370,000 and there is a new valuation this year which is different but it has not been adjusted and BF have said this is not a material error. Present valuation is £150,000 but for a whole school this does seem very low and £370,000 is still in the accounts and it has been benchmarked by the auditors. SP clarified that these valuations are just to comply with accounting standards and do not hold as much importance as they would in the corporate sector, as the assets are not to be bought and sold. The sector has set its own valuations, there is no marketplace to buy and sell them and land and buildings have covenants on so can only be used as schools. PT confirmed that as long as DMAT is consistent with other academies.
- There have been no adjustments as they are not material for the accounts and it is correct that the Trust has flagged that there are issues at Tavistock and Wardhayes. The Wardhayes valuation can be updated post year end and Tavistock College has potential impairment with areas of the school which have either needed substantial work done to them or are closed to pupils. None of these numbers are material and none of the numbers affect our revenue reserves only fixed asset reserves.
- Charity Commission had issued instructions on COVID 1) assessing that we are a going concern 2) making sure that assets are not impaired and 3) making sure that there is adequate disclosure in the accounts around Covid. References to these are required in the Trustees' report re Covid. GB has suggested some additional words in the Trustees' report which expands what the Trust has been doing for Covid.

Management Letter

- The Trust is reducing the number of management letter points each time which is positive. Two of the points are new; 1 is relating to the management accounts and mainly around the cashflow and what information is given to the Board. SK does do cashflow, but they are not shared as formally with the Board in every monthly pack; SP has changed the way we are monitoring the cashflow. JD confirmed that previously, although we did not do cashflows, she and TS had verbally discussed it with the cash position. However, JD is pleased to see the P2 produced by SP which does have a proper cashflow and this can be reviewed each time. SP has drafted a revised cashflow template which makes it clearer and it will go in with the pack.
- Covid grant claims – evidence required to back it up. P9 forecast had been sent to BF, but there was no evidence to show it had been discussed. PT asked if there was anything else during the year to document and evidence Trustees having sight of what the Trust was claiming for during Covid. SK does not have evidence as it was a conversation with the Accounting Officer and no formal minutes were produced. SK clarified that in the guidance regarding claims, it did not specify a need to take these decisions for approval to the Board. Hopefully

it will be a one off claim and PT said it was unlikely the Trust will be able to put a second bid in. PT said she would ensure that this rating colour is fair and consistent across all MATs.

- **Q GB said he had seen at the back of other management letters an assessment of the level of support which had been given to staff by the auditors?** PT said BF had done this last year but had not used it this time, due to Covid and the remote approach of the audit. The audit has gone as smoothly as was possible.
- **Q PL said as a MAT, we can increase our trading income, through external catering, consultancy and lettings and asked who is responsible at Board Level and on the Executive Team for these aspects of income generation and is there a strategy?** SK responded that at the executive level there is no one currently overseeing this, but when capacity is increased in the team, there will be someone who will work on this aspect as SK is aware that there is potential to generate more income from buildings etc once outside of Covid.
- The Trustees thanked PT and her team at Bishop Fleming for their work on the audit.
- JL thanked SK and her team for their hard work on an excellent audit report this year.
- GB had suggested some amendments to the Trustees Report to include more narrative on the operational changes during Covid and the impact on children and staff. A discussion ensued and a decision was made to retain the information on green grants. JL will amend any corrections and will send to the auditor.

5 – Annual Internal Audit Report and Tracker document

- This is a new report and one which will become a requirement from ESFA for the following year. No significant concerns were raised by the internal Auditors and significant improvement in internal controls of the Trust were reported.
- The report was noted.

6 – Audit Committee to recommend to the Full Trustee Board for approval the following documents:

1. **The Internal Audit Annual Report**
2. **The External Audit Management Letter**
3. **Draft Accounts**
4. **The Audit Committee`s Annual Report.**
5. **Reappointment of External and Internal Auditors**

Re items 1-4. The meeting reviewed the Audit Committee`s Annual Report. JL to correct some typos and will add a final paragraph to the Audit Committee Annual Report to make the recommendation to the Board, as Chair of the Audit Committee, that they approve the Annual Report and Accounts.

- **DECISION: The Audit Committee agreed to recommend (as per the final paragraph in the Audit Committee`s Annual Report) all the above documents, including the Letter of Representation, for approval by the Trust Board. (Full Trustee Board Meeting 10.12.20)**
- **DECISION: (No 5.) The Audit Committee recommended to reappoint Bishop Fleming as the external auditors for 2020-2021. This would be approved by the Members at the next AGM.**
- **DECISION: The Audit Committee recommended to continue with the internal auditors, but during the Spring Term the internal audit work will go out for tender, with the possibility of appointing an internal auditor in September 2021.**

7 CFOO Update

- SK thanked SP for all his help on the audit. He is now turning his attention to training the finance team and focusing on management accounts.
- JD added that P2 accounts had been more helpful and the explanation of the variances. SK confirmed that the schools and the AC Chairs have had their new ledger income/expenditure P2 reports and aged debtors` reports.

JD said that any challenges that ACs were still experiencing could be discussed at the forthcoming Resource Leads Meeting.

8. To review the Business-Critical Risks from the Risk Register

- SK had held meetings with SP over the risk register as he has experience in this area. Every seems to over complicate things so SK has produced this document.
- SK displayed the risk description, the categories and the risk consequences for the meeting. The register details who the risk owner is and the risk rating, (after the internal controls have been applied), which are in place to mitigate the risk.
- JD said she was satisfied with the net position as internal audit will also be challenging and checking that the internal operations and processes are in place. GB confirmed that the internal auditors will do a risk-based assessment using this document.
- **Q TS asked if there is anything which should be included in the register relating to Brexit?** GB directed the meeting to guidance which CST and the NGA have produced in terms of the 'no agreement' and then the leadership team will look at that when they fill the lines in.
- PL suggested the addition of an extra column (between n and o) with arrows to guide Trustees whether the risk has increased, decreased or stayed the same since they last viewed it. All agreed that this would be useful and would be added into the register.

ACTION: SK to include additions to risk register following meeting with GB and the addition of column showing directional arrows.

- The risk register will be shared with all Trustees at the next Trust Board where they can approve the format and will look at the register and agree that all the risks, that they would like to see, are included in column C. JL as Chair of the Audit Committee will draft an accompanying explanatory note with the BCRR for all Trustees.

DECISION: The Audit Committee recommend the Business-Critical Risk Register for approval by the Trust Board.

9. Matters Brought forward at the direction of the Chair

None.

10. Date of Next Meeting

Thursday 12th January 2021 at 4pm

Action Table from 03/12/2020

SK	To provide the committee with the risk register dashboard for review.	Done
SK/DM	To adopt the Finance Policy in January (in addition to the Finance Handbook and revisions to SOD).	Jan 2021
NMcD	NMcD to schedule a training session on the new risk register for Trustees and AC Chairs, when it was ready.	ASAP
Audit Committee	To view the list of risks which NMcD had circulated and let her know if there was anything missing or they wish to amend/add. Focus on business critical.	ASAP
SK/SP	SK and SP to set tolerance level (risk) in order to help focus the Audit Committee on the most important outstanding audit issues.	Spring Term 2021
SK/SP	To create audit action tracker (for Audit Committee)	Done

SK/CT	To book a week for next internal audit process.	Done
JL	To look at the internal audit proposed schedule and ensure that it fits in with current Trustee Meeting Dates (ensuring enough time for SK to receive and analyse the audit reports and circulate to Trustees).	Done
DM/SK	To revise and work on Finance Policy	Jan 2021
GB	To send some best practice examples (RSM) of annual internal audit reports to CT and JL.	Done
SK	To include additions to risk register following meeting with GB and the addition of column showing directional arrows.	ASAP
DM/SK	To make recommendations to CT for the internal audit work/non-financial monitoring to then undertake some testing and challenges and provide a schedule	ASAP
Audit Committee	To review the internal audit process in one year's time.	Autumn 2021
TS/DM/MT	To work on suggested amendments to the Articles of Association at AGM 2021 (to include the removal of the Chair of Trustees also holding a member's position i.e. demonstration of commitment to showing clear water between governance layers.	Nov 2020 – Feb 2021
SP	To send to DM what the thresholds are on the fixed asset register and why.	ASAP
NMcD	To ensure that schools include a named member of staff in their whistleblowing policy.	Done
JL/SK	To complete the annual report for the ESFA by the deadline and JL will copy results to Trustees. (BFR 3-year return)	Done
JL	To discuss with DM the change in name of the Audit Committee.	ASAP
GB	To send an example of questionnaire to JL and then draft a questionnaire (re assessment of internal/external auditors) to send out and staff to complete.	Done
JD/MW	To carry out the next self-evaluation of the AFH musts by end of financial year 2021.	March 2021
GB	To share a questionnaire framework (re self-evaluation of AFH musts) he has devised with JD and MW.	Spring Term