

Audit Committee – Part I Minutes							
Date/Time	5 th December 2019 4.00pm	Location		Okehampton College			
Attendees	Initials	Attendees	Initials	Attendees	Initials	Attendees	Initials
John Lawlor	JL	Tania Skeaping	TS	Jane Dumeresque	JD	Ian Courtney	IC
Rebecca Ledger	RL	Daryll Chapman	DC	Graham Briscoe	GB		

Apologies	Initials	Reason

ACTIONS
DECISIONS
QUESTIONS AND CHALLENGES

In Attendance	Initials	
Susanne Kiff	SK	CFOO
Ben Thorne	BT	Bishop Fleming
Melissa Trudgill	MT	Governance Manager

Minutes to
Attendees
Apologies

Meeting started at 4.15pm

1 - Apologies
All Members of the Audit Committee were present.

2 – Declaration of Interest
All Trustees present were reminded to declare any conflict of interest that may arise during the meeting.

3 – Agree and Sign off Previous Minutes
Minutes from: Audit Committee meeting held on 13th June 2019 were agreed and signed as correct by JL.

4 - Matters brought forward at the direction of the Chair.
Addressed later in the meeting. Please see below.

5 – External Audit report and draft accounts

Ben Thorne, Audit Manager from Bishop Fleming (as responsible named individual) introduced himself and the members of his team.

A Trustee asked how big the team were? BT explained that there were 2 in the core team and other colleagues used remotely, as appropriate. There had been 2 full weeks of work for the core team and a further week remotely. Then as part of the review process, BT had come out to meet everyone and go through with SK the draft documents.

Annual Accounts and Analysis of Performance Reports

It was confirmed that the external audit reports had been emailed out to all Committee Members for consideration and comments, prior to the meeting (Financial statements, Audit completion report – reports and identify risks and the outputs from the audit and the Analysis financial overview). BT presented to the meeting the reports and explained some of the key numbers which might otherwise be slightly hidden.

The following comments were made:

- Financial overview uses charity accounting principles so capital grants are included in full regardless when they are spent.
- LGPS liability included. New valuation has to go through these accounts. This changes the face of the accounts. There is an increase in pension liability which is recorded as £3.8 million net expense to the Trust. **Concern was voiced by the Trustees but BT explained that DMAT will never be asked to pay it as one payment.** The main cause of this is due to the actuaries changing some of their assumptions which are in line with the rest of the sector. The cash cost to the Trust will have increased. **Q A Trustee expressed confusion regarding the positive number against a negative number.** BT explained that the table showed a £3 million loss but £3.8 million is attributed to the pensions' payment so the auditors are trying to account for it back in the accounts. The result is trying to show a return to the actual position in cash.
- The audited accounts show a net surplus of revenue costs against expenditure; revenue reserves have therefore increased.
- Included in restricted expenditure is some of the pension charge which gets split under different headings. The most significant number is £867,225 = 2019 revenue fund movement.
- **A Trustee explained the need to be able to understand the reporting accounts and the numbers on the analysis of performance.** We need it to relate back to the accounts. JD noticed an error on the financial overview pension charge - it should read £204,700.
- The fixed asset fund is removed from the figures as it is not used for day to day revenue spend.
- **A Trustee asked if we should be looking at £867,225 as the profit made for the year?** This was confirmed. Clarification was sought on what the MAT pays each year. BT explained that all normal cash costs are still in there and what we pay in pensions each month. From the audit, the key risk is the competencies of the actuaries.
- The success of the fund managers is almost irrelevant as DMAT will have to include a nominal share of the national scheme. **A Trustee asked what influence can we have on this – BT responded none but DMAT would also not be held to account either.** Our share of the deficit/liability of that pension has gone from 8.5 to 12.2 million. The increase in our total revenue reserves demonstrates DMAT has controlled expenditure well. The top line shows we have underspent against revenue. There are different types of reserves – some you can use freely and others such as PP and Sports Premium are tied up for specific items. Free reserves can be used freely on any educational related expenditure.
- Of the total reserves of £3.2 million – £2.7 million we can do what we want with. £200,000 designated – linked to pitches/MUGA (sinking funds etc) so not available for spending – this is part of a grant condition. Restrictions come from the funder but designated funds are implied internally and is a way of showing in the accounts.

- **A Trustee asked what is the recommended level of free reserves?** EFSA will tell the MAT if the amount held is too high or too low but not the actual target. A Trustee summarised that this is the essence of what we are trying to do – £1.3 million is too little (below one-month expenditure) and would not insure the MAT against unknown variances such as decreases in pupil numbers or would not allow the consideration of a new capital project. Over 2 months of reserves and then DMAT would be challenged that not enough is being spent on the current pupils' education. £3 million may seem like a big number but it is not a huge number for a Trust of DMAT's size. It equates to 1.4 months of expenditure and appears to be in the correct order of magnitude. However, it is important to be able to explain the level of reserves. The Trustees agreed that a debate was needed on the reserve policy in the future and it should be added to the annual cycle.
ACTION MT/SK to add discussion on the reserves to the annual cycle.
- Re revenue reserves – Tavistock College buildings are in bad condition and require several million to be spent. During review meetings with the RSC, the issues of Tavistock College has been raised and their advice was to use the DMAT reserves. The Trust is faced with a dilemma: the state of the buildings means that the Trust could be close to a breach of health and safety, yet if reserves are spent on this, then the Trust will be in breach of its fiduciary responsibilities with the reserves falling below the minimum level required. BT responded that it was not the concern about the actual spending, but concern comes for the future viability of the MAT. We are forecasting reduction in reserves of £1 million next year so if the reserves are spent on buildings, then there would not be enough after this, to maintain the Trust.
- **A Trustee asked if Bishop Fleming could supply a statement to evidence that DMAT would be ill-advised to spend its reserves on Tavistock College, to use in future negotiation.** BT responded that they could provide this statement of recommendation and DMAT should be talking to EFSA rather than the RSC, who will act if we have financial issues.
- BT told the Trustees that very robust 3-year budget plans need to be produced. However, it was recognised that such planning was unreliable in the education sector. He reported that in the current government funding regime 90% of the budgets in the sector show a poor forecast in Year 3 and are done on the worst-case scenario.
- **A question was raised, how in July, it was forecasted the year would end at £3.6 million and then actually a month later it showed £3.2 million and would like clarification on what would cause the £400,000 apparent loss in a month** (shown in the end of July return – internal account process). It was agreed that this would need to be looked at by the Central Team. SK reported some issues with some team members and some incorrect assumptions used. BT confirmed there had been similar discussions with other teams in more established trusts but all teams are in their infancy and not fully understanding how much insight is required. However, all agreed that some good work had been done throughout the year by the team but some further improvements were needed.
- The final page – KPIs since 2018 was not a full year, we should only focus on the current year. It was noted that the £34,000 average teaching staff cost is lower than a lot of Trusts. DMAT's format is different to other MATs. BT advised that a staff cost of under 76% would usually allow a trust to break even, whilst over 76% would normally lead to a deficit.

In conclusion, the auditor has passed the accounts and produced both audit reports. It had concluded that the accounts show a true and fair audit.

Audit Completion Report – auditor comments:

It was noted that an independent valuation for Highampton has not been undertaken. Bishop Fleming would have liked this from an audit point of view but it would have cost the Trust a lot. The value of that building has therefore been benchmarked and there is a valuation of £380, 000.

Further Comments made:

1. Unauthorised transaction – gives a negative assurance – One of the focuses of the audit work is to estimate where the operation of the MAT could go wrong. Bishop Fleming has looked at the new leases, which have been taken out in the year. SK is very good at keeping BF informed throughout the year, which helps stop any problems arising.

2. Related parties' transaction (significant risk for any MAT) have to have prior approval from EFSA of £20,000.

Key risks – there is nothing significant to report on. EFSA produces their own desk top valuations and some are quite different to those that we have published in our accounts. **A Trustee asked what benefit would DMAT get to changing our valuations in line to those of the EFSA** – we cannot get any mortgages or loans on them; with reference to the audit, there is a fairly relaxed attitude on this. Level of insurance cover might be affected by the different valuations. **A Trustee asked whether the RPA Government Insurance cover DMAT, if we were inaccurate with our valuations?** The response was probably it would cover DMAT, but as the scheme is fairly new, it has not been tested in these situations as yet.

ACTION: SK and Audit Committee to review the difference between our valuations and those from the EFSA for next year.

3. Discussion on Ward Hayes – despite taking over control of Ward Hayes, the lease has not been signed off by the Council (similar position to other assets which are under DMAT). By next year's audit, this will need to show a 125-year lease is in place going forward; this is a good asset.

4. BF have made the Trustees aware in their report of the individual schools, which were in deficit last year. Lydford is now close to a break-even position which is positive, but Northlew and Ashbury still requires action.

5. It was noted that some balance sheet errors had been identified due to the incorrect reversal of carry forward items. SK reported that she had looked at it with her team and understands the underlying causes. Actions had been taken. The net effect of £274,971 will be applied to the 19/20 accounts. The total amount is not material to the audit.

6. Looking at the journals per month graphs – the journals are consistent on value – a significant improvement on the previous year. **A Trustee remarked that one of the frustrations is we do not have the final numbers until January and asked if there is there anything we can do** – we are blind on balances until then. BT advised that DMAT can do a close down in August, if DMAT wanted to do it earlier. This time next year there should not be so many adjustments, so it should be possible to have the audit earlier. It was a very different picture last year and it was agreed there was much more balance this year.

7. **A Trustee asked what did 14 users having access mean?** BT explained this was how many people had access to the journals. BT said 14 different people having access was quite high and should be aimed to be reduced. SK confirmed this has now been reduced to 5.

8. **Management Letter** - The management letter points are rag rated. This year's report showed: 4 Amber and 4 Green, which is a very good result and shows significant improvement. Last year there were: 2 Red, 9 Amber 4 Green. All 9 have been cleared completely.

9. BT commented that in the Register of Business Interests, the nature of the business is missing. **ACTION: MT to create a template with an extra column which specifies the nature of the business and in the New Year attach it to the meeting attendance sheet so that all Trustees can sign there is no business interest for each meeting.**

10. Regarding 16-19 Bursary Funding – BT explained it was the individual school's responsibility for passing this on to the individual children. The meeting agreed that they felt uncomfortable that in some cases the funding was not being distributed quickly or effectively enough and that it would be positive to have a DMAT-wide distribution policy so that good practice in some schools could be spread throughout. It was asked whether we could change our policy to reflect this. Tavistock College had changed their criteria and money is being passed more effectively to where it needs to go. **ACTION: SK and DC to look at the 16-19 bursary funding and review why it is not being passed on effectively in Okehampton College.**

To finish, BT thanked SK and DC for their hard work to ensuring a successful audit. He reflected that he could see a lot of progress from the previous year. There will always be issues to report back on as this is the auditor's role.

Bishop Fleming's recommendation is to sign the accounts off after presenting the reports to the Full Trustee Board on 19.12.19.

ACTION: JL to review the auditor's reports with SK and DC and add management comments. Then bring to the next Full Trustees' Meeting for consideration and with a recommendation to approve.

ACTION: Letter of representation has to be approved to go to the Board and BT will distribute this asap. It is a standard letter apart from the valuation of the land and buildings. JL will see this on behalf of the Committee and then it will go to all Trustees. The meeting thanked Ben Thorne for attending the meeting and for his all his efforts and advice.

ACTION: IC told the committee that he had been on a useful seminar held by Bishop Fleming and he and MT will notify Trustees of the date of the next one – 4.2.20.

BT left the meeting at 5.45pm

6 – Evaluations

6.1 GDPR Evaluation of Trust Schools audited to date using a RAG rating system.

6.2 H&S Evaluation of Trust Schools audited to date using a RAG rating system.

6.3 Safeguarding Evaluation of Trust Schools audited to date using a RAG rating system.

The above evaluations have all been completed and all schools will receive the reports including a summary of where each school is at on 19.12.19.

SK asked whether the committee wanted to see the full reports? **ACTION: It was agreed that SK will do a summary for full Trustees.** Obviously if there is anything flagged red then this will need to be highlighted to Trustees.

It was agreed that out of audit reports and committee, there should be an action plan. These actions should be on an action tracker for Trustees to review. Tracker will identify for Trustees which actions are past their date. CEO will need to do an internal review of the internal audit. Evaluations of audit have been carried out for each Portfolio Lead and will feed into a risk register and will flag the right level risks. There will be a piece of software which will have a Trust dashboard and could act as a tracker. Although it is live now, it is not ready in all areas.

ACTION: At the next audit meeting (agenda item) the committee will review the risk register dashboard (SK). MT to place on next Audit Committee Agenda.

7 CFOO Update

Actions from previous meeting:

- USB sticks are not permitted and SK reported that DMAT is working on a phased deletion of information procedure. Headteachers will be informed on Thursday.
- The Board Objectives need to be put into the data so the Trustees can measure progress and achievement. We have got the outlines and now we need data against any Ofsted framework. Some MATs have introduced banner dashboards in order to highlight issues to Trustees. Although this is aspirational for us, it is important to look at what other Trusts are doing. **ACTION: RL to pick out a couple of priorities from CEO report to put against the KPIs and will circulate back to all Trustees for review.**
- Financial Musts in the Finance Handbook – JL and TS undertook a self-evaluation of them. **ACTION: GB and JD will do the same exercise fort this year. JL will send the document used from last year. JL to check that the list of financial musts has remained the same. MT to place on next audit committee agenda.**
- Chair of Okehampton Primary AC had asked IC for clarity on the Acceptable Use Policy. It was confirmed that this policy is being revised currently and it will come to Full Trustees on 19.12.19.

8. To Review the 'musts' from the financial handbook

See above

9. Risks Identified/forthcoming changes

See above

The risks and uncertainties following the election were also raised. It was agreed that high level national risks should be included into our risk register. Potential fuel shortages with Brexit **ACTION: GB will circulate a paper already produced on high risks for this sector via MT. Risks will be on the Agenda for the next meeting.**

The next internal audit report is due in February and the report will come out in March. The next Audit Committee Meeting will be 16th April.

10. Date of Next meeting

Thursday 16th April TBC Please note: The focus of the next meeting will a focus on the internal audit report and risk register.

The meeting ended at 6.10pm

The meeting closed at 6.42pm.

Action Table from 05/12/2019

WHO	WHAT	WHEN
SK/MT	To add discussion on the reserves to the annual cycle.	April 2020
SK/Audit Committee	To review the difference between our valuations and those from the EFSA for next year.	April 2020
JL/DC/SK	JL to review the auditors reports with SK and DC and add management comments. Then bring to next Full Trustees' meeting for consideration and approval.	19.12.19
MT	To create a template with an extra column which specifies the nature of the business (business interest) and attach it to the meeting attendance sheet so that all Trustees can sign there is no business interest for each meeting.	ASAP
IC/MT	To notify the Trustees of the date of the next one Bishop Fleming Audit Seminar.	ASAP
SK/BT	Present a letter of representation to the Board and BT will distribute this to SK.	ASAP
SK	To provide a summary of Portfolio Evaluations for full Trustees	ASAP
SK/DC	To look at the 16-19 bursary funding and review why it is not being passed on effectively in Okehampton College at leadership level.	ASAP
SK/MT	To provide the committee with the risk register dashboard for review. To place on next Audit Committee Agenda.	April 2020
RL	To pick out a couple of priorities from CEO report to put against the KPIs and will circulate back to all Trustees for review.	ASAP

GB/JD/JL/MT	GB and JD to undertake self-evaluation for this year. JL will send the document used from last year. at self-assessment. MT to place on next audit committee agenda.	ASAP
GB/MT	To circulate a paper (already produced) on high risks for this sector to be sent to MT for distribution.	ASAP