

Audit Committee – Part I Minutes							
Date/Time	13:11:18 4.00pm	Location		Okehampton Skills Centre			
Attendees	Initials			Attendees	Initials		
Daryll Chapman	DC	John Lawlor	JL	Ian Courtney	IC	Rebecca Ledger	RL
Marilyn Livingstone (4.00pm – 6.15pm)	ML						

Apologies	Initials	Reason (Category of Trustee)

ACTIONS
DECISIONS
QUESTIONS AND CHALLENGES

In Attendance	Initials	
Hazel Fox	HF	Vice CEO
Susanne Kiff	SK	Chief Financial Officer
Sally Wood	SW	Governance Manager
Pam Tuckett	PT	Bishop Fleming

Minutes to
Attendees
Apologies

17 - Apologies
<ul style="list-style-type: none"> No apologies have been received

18 – Declaration of Interest
<ul style="list-style-type: none"> All Trustees were reminded to declare any conflict of interest that may arise during the meeting.

19 – Agree and Sign Off Previous Minutes

- The minutes of the Audit Committee meeting held on 11:09:18 were agreed and signed by JL.

20 – Matters Arising

- There were no matters arising. Actions from the previous meeting are ongoing.

Action:

- SK to review the office organisation at Okehampton Primary**
- SK to ensure that School Comms will be introduced at all schools**
- SK to ensure that parents will be encourage to use School Comms whenever possible**
- SK to introduce a method for process separation of cash will be introduced at all schools**

21 – Matters Brought Forward at the Direction of the Chair

- There were no matters brought forward at the direction of the Chair

22 – External Audit Report

- Pam Tuckett (PT) was present from Bishop Fleming to present the external audit report and a Key Issues Discussion Document.
- Trustees noted that both documents tabled would be submitted to the EFSA, but only the accounts are published in the public domain.
- PT provided context to Trustees on the progress with the accounts, in respect of some asset transfers, pension figures and final adjustments to the year

Trustees asked who supplies the pension figures

PT responded the actuaries, but they were all quite late this year.

Trustees asked what the deadline was for these

PT responded 31:12:18 and confirmed they would be done by that date. The Actuaries were under pressure to deliver.

Trustees asked what the process was

It was confirmed the Audit Committee would recommend the accounts subject to any changes to Full Trustees who would formally approve these on 13:12:18. The accounts needed to be physically signed.

- Trustees were advised the timing of this meeting was early and needed to be later in 2019 to give SK time. The clerk will reflect this in the 2019 meetings timetable.
- PT stated that the MAT had done well in their first year to get to where they were so early in the process. It was agreed to compliment the Finance team for that.
- PT referred Trustees to the Key Issues Discussion Document.

Section 1

- All of the items are required to be reported to the Board of Trustees and this document is that formal method of reporting to Trustees. In respect of the status of the audit, there was some outstanding information.
- Land and buildings are not on the balance sheet but a notional rent was recognised. Some building were under licence from the Diocese. These had no impact of the bottom line.
- Bank audit letters were still to be done, no problems were expected there. This covered Okehampton College School Fund so it was a minor one.
- PT confirmed purchases from Exeter University had been at cost. These were purchases in respect of teaching school / PCGE.

Trustees queried if this was the same for Marjon University.

It was confirmed the same would apply for Tavistock, but this wasn't the case for the previous year.

- Trustees queried if that was correct given Tavistock would have made a purchase this year as well. Trustees acknowledged the level of scrutiny on related party transactions.

Trustees queried where related party transactions were referenced

SK responded it was in the Finance Policy

Trustees challenged if there were transactions with EDEN

It was confirmed there would be Governor support services and training courses. This had to be declared prior to 1 April and if the purchases were likely to be over£20k, prior approval must be obtained. The easiest action was to obtain prior approval regardless.

- Related party transactions are flagged in the annual report.
- The management representation letter is outstanding until the point of signing. The balance sheet is outstanding for the same reason

Trustees asked what limited assurance was

PT responded the audit was a negative opinion, it was a different scope of work. They didn't actively go looking for errors, but if things arose during the audit, they followed those up. This is normal practice.

Section 2

- This set out the risks at the start of the audit, there had been a planning meeting and decisions made as to what the key risks are for the audit. The first two are standard significant risks as dictated by audit standards.

Trustees queried management override

PT responded this was a situation where management can make a journal adjustment, they have the power to change the numbers. Good systems may be in place, but management can change things.

- The third significant risk was bespoke to this trust which was about taking in a number of new schools. That is a significant risk.
- Risks 4-9 were all standard risks to every academy.
- Risk 4 was about the allocation of overheads and costs being put against the right restricted fund.

Trustees queried what restricted funds were

PT responded this was where the person donating or the grant funder put a restriction on how it can be spent for example pupil premium, sports premium

Trustees queried what unrestricted funds were

PT responded this can include was rent, school uniform sales and schools lunches. Income still have to be spent on the objects of the Trust is not restricted to a particular area.

- Trustees noted the risk for transactions between academies if not carried out properly leading to an inflation of costs and income in both schools

Trustees queried if this was the case for the central team

PT responded it could be, but it depended on how the recharges were done. This was more about the schools charging each other.

- Trustees noted the risk of payroll due to size of it, typically 70/80 % of costs.
- Capital work can occur across the year end and therefore all financial considerations may not be completed by 31:08:18. The Auditors have to ascertain if the project is complete and if all related invoices are included.
- GAG deficits needed to be carried forward correctly.

Section 3

- Data analytics were looked at for management override where the Auditors would look at the posting day of all the journals looking for unusual trends. There were 21 transactions at weekends but these were genuine business journals and no concern was flagged.

Trustees queried the normality curve

PT responded this was statistical law in that more numbers would start with a 1 than any other journals.

- Trustees noted the number of journal transactions per month since January and the big spike at the end of the year. This showed the time when PS Financials was not up and running. The spike was partly opening balances as well as playing catch up and posting of the salaries at the end of the year.
- SK stated that the Central Team was not in place until April and payroll wasn't processed as quickly as it should have done, the software was not working at the time and there was no automatic payroll reconciliation in place so payroll journals all got input in one month. Going forward this would be done monthly with September and October already complete.
- Trustees noted the graph reflected the financial year and acknowledged the two financial closedowns that had occurred.

Trustees queried if the management comments would be in the documents forwarded to the EFSA

PT responded they would be. Trustees were clear the document should contain management comments.

- Trustees noted that the management accounts would be reviewed at each Resources meeting and IC would receive management accounts each month. This was a requirement of the Academies Financial Handbook.
- Trustees agreed the comments would be drafted by SK and approved at Full Trustees.
- **SK to email the management comment around to Audit Committee for review prior to Full Trustees**

Section 4

4.1

- The section is blank as the pension numbers haven't been received yet. This was being progressed.

4.2

- Trustees noted this was the summary work. The conversion balances are for each school showing the amount they came in with on the conversion date. Schools were looked at as a going concern. This shows the surplus deficit in year and also the impact on the following three years. Chagford for example shows a cumulative deficit.
- Trustees noted all of these situations were known about and proposals to remedy were being formulated.
- Trustees noted that the deficits were not giving a full picture and that this flags up serious concern with £1m being used over the next few years.
- Trustees noted the recommendation to write to the EFSA who would respond with challenge and support.
- Trustees were advised that as part of the MDIF bid, ICFP would be done, there was £5k funding for that and this would be carried out by Bishop Fleming
- Trustees agreed it was about making the right savings against driving school improvement forward.
- Trustees discussed the need to ensure the funds were being spent in the right areas and that all of the actions being taken needed to be included in the management comments.
- Trustees agreed that the Trust should notify the EFSA sooner rather than later.
- Trustees acknowledged the issue of the in year deficit being large against reserves, although the pensions figures and national decisions in funding would affect this.
- Trustees discussed the MAT reserve policy and PT commented that two months was generous with most MATs having one month. **SW to agenda this to be considered at Resources Committee**

4.3

- Trustees noted that any building owned by the Diocese were not included in the accounts. Trustees noted there needed to be an adjustment when SCA is spent on Diocese owned properties as it was not capital expenditure.

4.4

- Trustees were advised that the land and building legal transfers for Okehampton Primary, Okehampton College and Tavistock College had not been completed. Michelmores had not completed this were due to individuals leaving the organisation, but they were now working on this again. However at this time the MAT did not have the legal title for those.

Trustees asked when that would be completed

SK responded Michelmores were working on it

Trustees asked if that would prevent the accounts being finalised

PT responded no

4.5

- PT referenced point 4.5 and highlighted the need to be very careful when undertaking transactions which were not core education, ie the sale of staff for non-educational purposes, external catering, trading outside your

school. MATs are allowed an income of up to £50k, if they went over this, they would be outside their objects and would have to do a tax return. Trustees discussed the feed in tariffs from the solar panels.

Trustees queried if this would cover PTFAs

PT responded no, these were a separate entity.

Trustees queried that if it was acceptable to have a sports centre, whether training could be added in

It was confirmed this would need to be looked at under the charitable objects. Lettings of sports facilities or space is exempt.

- Trustees noted they would know by April if the MAT would hit the £50k. This was cumulative so was reset again in September.

Section 5

Trustees asked what SOFA was

It was confirmed this was statement of financial activities

Trustees asked if there were potential for capital figures to alter

PT responded there was a big list of fixtures and fittings and possibly IT equipment some dating back to 2007. It is expected that the £2m figure will need adjusting. SK has done this piece of work for Okehampton College and there was a significant difference.

- Trustees agreed they would want those adjustments included.

Trustees asked if items funded by PTFAs would be included

PT responded only if they have been gifted in.

Trustees asked what an acceptable write off date would be

SK responded when items were older than a set date, they would be written off and others would have depreciation applied as per the policy.

Trustees queried the overstatement of land

PT responded the figures came from Devon, benchmarking was carried out on various things and they also benchmark the figure given to the MAT schools. It wasn't an exact science and they wouldn't suggest adjusting those.

Section 6

Trustees queried the management letter

PT responded it presents a picture about the journals posted during the year. The information is not as accurate as it could have been. The reality is there is no difference between other trusts in their first year. It has had an impact on the governance but was a regularity point more than anything else, the numbers are true and fair. PT to amend the reference to the 17/18 handbook in this section.

Trustees asked who they should respond to

PT responded Bishop Fleming, as auditors.

- Trustees noted that the second point regarding year-end adjustments was not likely to happen again. PT commented that the more centralisation took place, the more that experts undertook the work.

- Trustees noted that the in year numbers was materially correct.

Trustees queried the amber rating

PT responded this was about internal assurance reports. There was a full check of the musts from the handbook. Bishop Fleming would do a final check of the musts. It was noted that the Internal Auditors hadn't completed all the work in a full cycle due to the MAT only being operational from January to date. The items mentioned are included in the internal audit work scope.

- Trustees were advised that childcare vouchers and LGPS had been posted around the wrong way in Payroll, this has been corrected.
- There had also been a system issue for the LGPS which had been resolved and will be monitored going forward.
- Trustees noted there was a bursary income which was a big amount at Tavistock. This was a post 16 pupil premium account which was paid to the students via the College.
- Trustees noted there was sometimes insufficient segregation of duties for financial purposes and some forms used were out of date, ie expense forms. There had also been a few inconsistencies between purchase orders and posting of purchase invoices, but these were not large numbers.

Trustees queried if there was a case for saying no to credit cards

SK responded that at the beginning when cards were first issued, that might have been the case. The system is now tighter and everything comes into the central function for processing.

- Catering income at Holsworthy Community College needs tighter control as it is cash. System has been changed and is now much more robust. A site visit to look at cashless catering there is also planned.

Trustees queried what the authorisation of payroll would mean

PT responded these was a need to see the evidence that payroll has been authorised. Now, there is no physical signature. The payroll provider doesn't ask for positive confirmation. **It was agreed that SK would check the payroll and DC would authorise**

Trustees queried the register of business interests / transactions with connected parties.

It was confirmed that this needs to be even more robust.

- Page 58, Related party transactions, EDEN needs to be included and possibly MARJON
- Page 30, 'enter text here, user input' to be deleted
- Page 7 South Tawton and Okehampton Primary are under the secondary schools and need to move
- Page 27 - bank interest paid and needs to change to subscriptions. This text will disappear
- Page 7, KPIS. Trustees discussed if further detail was needed, but it was agreed to take those out.
- Page 44, capital may be adjusted
- Trustees proposed and all were in agreement of the accounts being recommended to Full Trustees subject to the adjustment of notional rents, pensions and F&T.**

PT and Bishop Fleming were thanked for their work. PT left the meeting at 5.52pm.

Action:

SK to circulate management comments to Audit Committee prior to Full Trustees
SW to agenda a review of Reserves Policy at Resources Committee

23 – School Resource Management Self-Assessment Tool

- Trustees noted this was an online assessment tool.
- Trustees agreed that all Trustees should be asked to complete this with responses back to SW prior to the next Audit Committee

Action:

SW to circulate for ALL Trustees complete this with responses back to SW prior to the next Audit Committee

24 – Non purchase order number report

- Trustees noted the general improvement across the report.

Trustees queried if the errors were down to 1/ 2 people

SK responded yes this was the case in small Primary Schools

- Trustees noted that Schools were not aware this checking was taking place, but Heads were at this time. In general, all schools were moving the right way with one exception

Trustees asked what the situation was at Okehampton Primary

SK responded that different people were undertaking different tasks. This will be reviewed soon.

25 – GDPR

- Trustees noted there had been zero subject access requests in this term so far.

26 – Policies / Documents to be agreed

- There were no policies to review

27 – Risk

27.1 Update on risk register / review risk register / 27.2 CFO Update

- Trustees noted that SK had been looking at other options and would submit a proposal for Trustees.

- Trustees agreed that when the decision was made, support would be needed for the actual implementation of the system.
- Trustees agreed that the proposal would be submitted for the next Audit Committee for a decision

Action:	SK to submit the proposal to the next Audit Committee for a decision
----------------	--

28 – Monitor Scheme of Delegation for Efficiency

- Trustees discussed that when they had had queries had been resolved, the answers had been in the Scheme of Delegation.
- Trustees agreed that all Heads would have a pack of the Scheme of Delegation, the Articles of Association and the concentric diagram.

Action:	DC / HF to ensure that all Heads have a pack of the Scheme of Delegation, the Articles of Association and the concentric diagram
----------------	--

29 – Audit Committee Annual Report

- Trustees agreed that JL would produce a draft Audit report and circulate to Trustees. This would be complete for the AGM in February

Action:	JL to produce a draft Audit report and circulate to Trustees.
----------------	---

30 – Risks Identified / Forthcoming Changes

- Trustees acknowledged this meeting had been discussion all about risks
- Other risks were contained within the Audit report
- Due Diligence for Great Torrington needed to be thorough and reassurance was required around Ethos, philosophy, standards, premises.
- Premises – Because of under budgeting by DCC the specification of St James Primary School building has been significantly cut back. This could have on-going running cost implications.

ML left 6.15pm

Action:	SK to add risks to the risk register
----------------	--------------------------------------

31 – Meeting Review

- RL fed back the meeting review

32 – Date of Next meeting

- Okehampton College – Thursday 17 January – 4.00pm.

Action Table from 13:11:2018

WHO	WHAT	WHEN
SK	Review the office organisation at Okehampton Primary	Jan 2019
SK	Ensure that School Comms will be introduced at all schools	Jan 2019
SK	Ensure that parents will be encourage to use School Comms whenever possible	Jan 2019
SK	Introduce a method for process separation of cash will be introduced at all schools	Jan 2019
SK	Circulate management comments to Audit Committee prior to Full Trustees	30:11:18
SW	Agenda a review of Reserves Policy at Resources Committee	DONE
SW / ALL	To circulate School Resource Management Self-Assessment Tool for ALL Trustees to complete this with responses back to SW prior to the next Audit Committee	10:01:19
SK	Submit the proposal to the next Audit Committee for a decision	10:01:19
DC / HF	All Heads to receive a pack of the Scheme of Delegation, the Articles of Association and the concentric diagram	31:12:18
JL	Produce a draft Audit report and circulate to Trustees.	31:12:18
SK	Add risks to the risk register	30:09:18