

BOARD OF TRUSTEES – AUDIT COMMITTEE

Minutes of the meeting held at 4.00pm on 29 November 2017

Present: R Inman
C Gibson
S Howard (Virtual Attendance)

In Attendance: S Jones, Chief Financial Officer
C Bundy, Finance Manager
G Kerkham, Larking Gowen
J Bridges, Clerk to the Trustees

Trustees confirmed that they had no conflicts of interest to declare in relation to the items of the agenda.

- | | <u>Action</u> |
|---|----------------------|
| 1 <u>Election of Chair</u>
R Inman was nominated and elected Chair. Proposed by C Gibson and seconded by S Howard. | |
| 2 <u>Apologies for Absence</u>
Non-attendance is to be recorded for H Lay. | JBridges |
| 3 <u>Minutes of 27 June 2017 meeting</u>
The minutes of the meeting were agreed as a correct record. | |
| 4 <u>Matters Arising</u>
The matters arising from the meeting were summarised in the report and all actions reported had been completed or, where appropriate an update had been provided on progress elsewhere on the agenda. | |
| 5 <u>Committee Terms of Reference</u>
Each Committee is asked at their first meeting in the new academic year to review and approve its Terms of Reference. There were no proposed changes further to the review last year. The Committee approved the Terms of Reference. Proposed by R Inman and seconded by C Gibson. | |
| 6 <u>Appointment of Internal and External Auditors for 2017/18</u> | |

G Kerkham left the meeting at 4.10pm for this agenda item

External Audit Service

The External Auditors must be appointed by the Members of the Trust with the exception of the inaugural year of a MAT. In a Trust's first year, this appointment can be made by the Trust Board and this was the case with SAT where such approval was granted for the audit of the first set of annual accounts relating to the 2015/16 financial year. Larking Gowen were appointed as such auditors for that year and then subsequently approved by the Members for the audit of both the 2016/17 and 2017/18 financial statements at the start of the Autumn term so that the Trust had a "retained" and suitably approved external auditor.

The appointment of auditors for the 2018/19 financial statements year needs to be approved by the Members and this is scheduled to take place at their meeting

to be held in January 2018 following a recommendation by the Trust Board which will in turn be informed by the recommendation of the Audit Committee. When this matter was discussed by the Trust Board, it was suggested that Larking Gowen be retained for the 2018/19 year but for subsequent periods, due to the advent of the Abbeygate Sixth Form College into the Trust, a market test should be conducted. This is still the proposed way forward for the Trust and the Committee's view and subsequent recommendation to the Trust Board was sought.

The Chief Financial Officer was asked to review the appropriate time of year to seek the approval of the Members for the appointment of External Auditors, to ensure the approval takes place at the most appropriate time in the academic year to align with the cycle of business and timeframe to comply with the requirements under the Academies Financial Handbook.

SJones

Internal Audit Service

The Trust currently uses Schools Choice to provide three days per annum to assess financial controls as part of the overall provision of assurance of internal control within the Trust. It is not mandatory to have an internal audit service and is only one of several methods suggested within the Academies Financial Handbook 2017 as a means of seeking assurance.

Schools Choice has provided an internal audit service for both of the 2015/16 and 2016/17 years and has already commenced audit work in the 2017/18 period. The approval of this engagement was sought at the 4 July 2017 meeting of the Board of Trustees.

The work of Schools Choice, although relatively schools orientated, has been useful and it is proposed to endorse their use as internal auditors for the year and then reconsider their appointment in the summer of 2018 for the subsequent financial year. The Chair asked the Clerk to add a note in section 4 of the Committee's Annual Report (under agenda item 10 of this meeting) to note the schools orientated approach by internal auditors and to state that this appointment will be subject to consideration and review.

JBridges

The Committee **approved** the appointments of external and internal audit services as detailed above. **Proposed** by R Inman and **seconded** by C Gibson.

G Kerkham joined the meeting at 4.30pm

7 Audited Accounts for the Year Ended 31 August 2017

The Accounts are presented to the Audit Committee and are also to be received for consideration by the SAT Finance Committee at their meeting to be held on 5 December 2017. Approval of the accounts are the responsibility of the SAT Board of Trustees and this decision is to be made at the meeting to be held on 12 December 2017.

The Committee was pleased to receive the accounts that had been prepared in full compliance with accounting regulations and received an unqualified opinion of the financial auditors, Larking Gowen. The accounts show a positive performance for the Trust with a surplus year end outturn. The Committee was satisfied to recommend the Audited Accounts for the year ended 31 August 2017 to the Board of Trustees at the meeting to be held on 12 December 2017.

RInman

8 Audit Summary and Significant Findings Report

G Kerkham reported that based on auditors conclusions they have not made any modifications to the audit report and will issue a clean, unqualified audit opinion. Furthermore there are no changes to their preliminary assessment of potential ethical threats to audit independence that they are required to communicate with the Trust.

It was noted under item 3.1 (page 5) of the report that auditors are still waiting to receive a response from the bank to confirm balances, securities and liabilities at the year-end but this will not hold up the audit opinion.

During the audit fieldwork it was noted (3.2, page 5) that the Essex SEN income for the summer term 2017 had not been invoiced, totalling £12,816. As the amount is not material an adjustment is not necessary but a note is to be made.

Note 3.3 (page 6) in the report details that the draft accounts show total funds carried forward of £28,017K. This comprises unrestricted funds of £676K, restricted fixed asset funds of £28,981K, restricted funds of £227K and restricted pension deficit of £(1,867K). As disclosed in the Trustees' Report, it is the Trust's aim to hold £800K of free reserves to cover 1 months' expenditure. At the year end, the amount of unrestricted free reserves totalled £676K, an increase of £330K in the year. The Chief Financial Officer confirmed that the Trust's free reserves policy is that of 1 months' expenditure.

A funds transfer of £160K is to be made in the accounts. This is to reflect the transfer of this sum from the Restricted Income fund to the Fixed Asset Fund to reflect the payment of £80K (rent) per year in 2015/16 and 2016/17 to West Suffolk College for the leasehold. The £80K loan was repaid in 2015/16 but there was no funds transfer made in the accounts hence why £160K is to be shown in the accounts this year.

In point 3.4 (page 7) in the report it was recorded that £30K had been received from the DfE as the first stage of the £250K grant toward the pre-opening costs for the new Sixth Form in Bury St Edmunds (Abbeygate). The draft accounts recognise income of £18K, with £12K (unspent) carried forward as deferred income. It was agreed that the whole sum of £30K allocated should be recognised in the accounts, however as the £12K is not material an adjustment is not required.

As part of the audit work a review of connected party transactions to look at how they are approved and monitored was undertaken. Auditors noted the review by the Finance Committee of the SLA between the Trust and ACER but could not find a documented review of the SLA between SAT and WSC. Auditors were not suggesting this as an irregularity point but commented that the Trust must make its spending decisions, based upon Value for Money so evidence of challenge and scrutiny in related party transactions must be reviewed and performance monitored as a minimum annually. The Clerk confirmed that both SLA agreements had been discussed at Trust Board meetings held in the year on 13 December 2016 and 20 March 2017. The minutes of both meetings are published on the SAT website. G Kerkham to amend the note in the findings report.

In note 3.7 (page 10) of the report it was noted that the financial statements are to include disclosures of any gifts, stock losses, cash losses, ex gratia payments, irrecoverable debts, fixed asset losses and/or compensation payments made in the

GKerkham

year. Severance payments of £10,910 are disclosed in note 8 of the accounts and it was confirmed that no other such event occurred in the year or to date.

In section 4 of the report this included other information covering topics such as the latest Academies Financial Handbook released on 1 July 2017, making Tax digital, fundraising reporting obligations and the new obligations and responsibilities for all academies and business with regard to the General Data Protection Regulations (GDPR) and how to reach compliance for the 25 May 2018.

Appendix A and Appendix B are the Trustee Representation Letter and Regularity Representation Letter to be signed by the Chair of the Board of Trustees at the meeting to be held on 12 December 2017.

The management letter (final pages in the report) put forward three medium priority recommendations to action. The first being to put a process in place for a pre payroll review to be signed off by two authorised individuals before the payroll is sent to Schools Choice for processing. The Finance Manager, confirmed that this does take place but a formal record that this has been done is not documented. It was agreed that an audit trail of email exchange between the Finance Manager and Director of HR would suffice to demonstrate that a review had been completed. This is to be actioned.

CBundy

The second recommendation asked that the website be updated to show the register of interests for the new Trustees, appointed on 23 November; these being R Inman, J Wakelam and C Ridgeon and that a process is put in place to ensure that registers are captured at the time new appointments are made. The Clerk confirmed that she holds the registers of interests for all Trustees and these are obtained at the time of their appointment as part of the induction process. The registers published on the website however are updated in the summer and not all have been returned and due to absence are yet to be filed on the website. The Clerk has this in hand and intends to complete this process in the next couple of weeks.

JBridges

Due to finding two instances of non-compliance with the Trust's Financial Administration and Control Handbook (FACH) the third recommendation made was to amend the authorisation levels to more appropriate limits in the FACH. This is subject to board approval and will be taken to the Trust Board at the next review point of the FACH.

SJones

Further to the discussion held at the meeting the Audit Findings Report is to be finalised by G Kerkham and sent to the Clerk by no later than 5 December 2017 for inclusion with the papers for the Trustee Board meeting to be held on 12 December 2017.

GKerkham

G Kerkham left the meeting at 5.05pm

9 Internal Auditor's Report

It was noted that the 'date completed' column in the report remains blank until the action has been completed. The report to the Committee has been filtered to show only the actions that remain outstanding, hence why the completed date field remains blank.

The Chief Financial Officer confirmed that the review of the Community Use Handbook (last action on the plan) is to take place in the Spring term and the action

Action

recommending benchmarking information will also be completed in the same timeframe. The dates to be completed by are to be adjusted to reflect the new spring deadline.

CBundy

It was noted that the first action on the plan regarding the approval route of a capital spending plan is to be challenged with auditors. The Trust does not hold an explicit capital budget but this forms part of the full annual budget process which does require approval of the Finance Committee and the Trust Board each year in July.

SJones

All other actions are on track to complete as planned.

10 Committee's Annual Report

The Finance Manager confirmed that she had received an updated review document from Schools Choice confirming that the three ungraded areas (Governance, Planning Cycle and Inventory and Security) as detailed in section 4 of the Committee's annual report had all now been graded 'outstanding'. The Clerk is to amend the report of the Committee to reflect these gradings.

JBridges

The Chair commented that with such a small membership number quorum requirements were easily vulnerable with low attendance so it is proposed that the Committee seeks to increase its membership size to five members to add resilience and safeguard quorum requirements. This recommendation is to be taken to the Trustee Board meeting to be held on 12 December 2017.

RInman

As noted above the Clerk is to add a statement to section 4 in the report to note the schools orientated approach by internal auditors and to state that this appointment will be subject to consideration and review.

Subject to these amendments and insertion the Committee will put forward its annual report to the Board of Trustees at its meeting to be held on 12 December 2017.

JBridges

11 Risk Registers

i. Suffolk Academies Trust

The risk register of the Trust has been reviewed and updated to ensure it remains fit for purpose. The register currently identifies three amber, seven yellow and four green status risk. Risk R007 has been removed from the register as it is no longer considered to be a risk to the Trust (Devolution leads to control of skills budget to SCC or successor, reduced income and autonomy of the Trust).

At the request of the Chair of the Committee at the Trust Board meeting held in July 2017 all risks have been reassigned to the Audit or Finance Committee, CEO/Principal and or the Trust Board so that risks are appropriately monitored and reviewed. The Risk Direction column shows the direction of change to the risk score of all risks on the register. The Clerk was asked to filter the risk register and ask each Committee to review the risks that they are responsible for on a regular basis. It was noted that at the present time there are no 'new' and/or emerging risks to record and the Committee confirmed that the risk on the register allocated to them was appropriately scored and is being appropriately managed.

JBridges

ii. Suffolk One

The risk register of the Academy was last reviewed by the Senior Leadership Team in November 2017 and was shared with the Committee for information. The Committee noted the increased number of high risks held on Suffolk One's register

compared to that of the Trust. The Chief Financial Officer was asked to approach the Senior Leadership Team and request that the scores are reviewed and rationalised.

It was noted that the score matrix and risk registers of the Trust and the Academy are managed differently and are not aligned. The Chair of the Committee is to ask the Board of Trustees to agree a rationalised format of both registers so that the measurement of risk is comparable between the Trust and the Academies within it.

RInman

One of the highest risks on the register of Suffolk One recognises the diverted attention of Leadership and Management to deal with Trust developments. This appears to be the case with the Principal, A Whittaker, who is heavily involved in the Abbeygate Sixth Form development with no backfill to central contributions. The Chair is to raise this to the attention of the Trust Board at the meeting to be held on 12 December 2017.

RInman

The Chief Financial Officer was also asked to speak to the Senior Leadership Team to downgrade the risk impact of not delivering the budget and not paying back the deficit. While the impact would be high it is unlikely that this would be the case and therefore the risk is no longer medium and is to be downgraded.

SJones

8 Any other business

i. Future focus of the Committee

In light of the discussions with West Suffolk College and potential collaborative governance structure the Chair asked colleagues for support to put risk management at the front and centre of everything that we do. Risk will be a priority going forward particularly as we venture toward a change in governance and the potential of introducing a shared services strategy. The Committee agreed that both changes posed a number of high risks and felt it appropriate that this featured on our risk registers.

ii. Meeting time and venue

For most members a central location appeared to be Bury St Edmunds. It was agreed that the venue would alternate between Suffolk One, Ipswich and West Suffolk College, Bury St Edmunds, with the next meeting to be held on June 2018 moved to Monday 18 June 2017 at 4.00pm at West Suffolk College. The Clerk is to resend the calendar invite.

JBridges

Date of next meeting

Change from Thursday 21 June 2018 at 4.00pm to Monday 18 June 2018 at 4.00pm, to be held at West Suffolk College, Room TG1.16.

The meeting closed at 5.30pm