

BOARD OF TRUSTEES – AUDIT COMMITTEE

Minutes of the meeting held at 6.00pm on 27 November 2018

Present: R Inman (Chair) J Gazzard (Vice Chair)
A Maltpress J Wakelam

In Attendance: N Roberts, Third Party Adviser
S Jones, Chief Financial Officer
G Kerkham, Larking Gowen
J Bridges, Trust Secretary

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

Action

1 Appointment of Chair and Vice Chair

The Trust Board approved the appointments of Committee Chair and Vice Chairs at the 5 July 2018 meeting. R Inman remains Chair and J Gazzard appointed as Vice Chair to the Audit Committee.

2 Apologies for absence

Apologies for absence were received from S Howard and H Nydam. C Bundy, Finance Manager also extended her apologies.

3 Minutes of the meeting held on 7 June 2018

The minutes of the meeting were agreed as a correct record.

4 Matters Arising from the meeting held on 7 June 2018

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 Committee Terms of Reference

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 and the Committee was satisfied that these were currently appropriate but may need review throughout the academic year. The Committee **approved** the Terms of Reference and these will be kept under review throughout the year.

6 Appointment of Internal and External Auditors for 2019/20

At the last meeting the Committee asked that the Trust Secretary bring this as an agenda item for this meeting for consideration. The Trust Members have asked that a market test be undertaken prior to the appointment of external auditors for the 2019/20 financial statements and it is intended that this will be undertaken in the Spring term this academic year (2019).

Trustees agreed that it may be prudent to seek different external audit services for the Trust and West Suffolk College so as to avoid 'Chinese walls' between services appointed. The incumbent contract has been awarded for the completion of the 2018/19 Annual Report and Financial Statements and the Committee felt assured that they appropriately challenge and scrutinise the

financial integrity of the production of the accounts and therefore felt that a recommendation should be made to the Members of the Trust to reappoint the incumbent for a further year and then market test in the Spring of 2020 for the production of the 2020/21 accounts. A recommendation to this effect will be put to the next meeting of the Members of the Trust (early 2019).

SJones

7 Audited Accounts for the year ended 31 August 2018

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 13 December 2018. 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 20 December 2018.

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 of £248K. The Committee was satisfied to recommend the Audited Accounts for the year ended 31 August 2018 to the Board of Trustees at the meeting to be held on 20 December 2018.

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 4) of the report that auditors have considered whether the assumptions applied to estimate the pension deficit are reasonable and concluded that they are, and that the net liability is within their expected range.

In note 3.2 (page 5) Auditors have made a number of observations covered in section 4 under their work to report on the statement of regularity, propriety and compliance made by the Accounting Officer. This is detailed below.

Note 3.3 (page 6) in the report details the tests and key findings in relation to the Abbeygate Project Development Grant Funding. Auditors have reviewed the treatment of the PDG funding in the accounts and agree that this is appropriate.

The NJC Accrual (note 3.4 on page 7) shows a £25,325 potential overstatement of accruals due to the 1% pay award being budgeted for but at the time of finalising the accounts this is a commitment to be paid, but as yet Board approval is yet to be secured. It was noted that this overstatement is detailed in the summary of unadjusted adjustments further in the report.

Note 3.5 (page 8) concerns Related Party Transactions and Auditors found that the SLAs with both ACER (now AoC East) and WSC for this academic year (2018/19) have been reviewed and discussed at the Trust Board meeting held on 19 March 2018.

The findings of the review of the Common Strategy (note 3.6, page 9) show that there may be potential issues of compliance with related party transactions rules in the Academies Financial Handbook and at the time of preparing the report they

awaited to receive copies of the communications held with the ESFA concerning how this is proposed to be dealt with under the Trust's Articles of Association. The Trust Secretary has since provided this communication trail and as the governance changes were post year end, it is not considered a matter that affects the 2017/18 Regularity opinion. The Academies Financial Handbook now requires Trusts to seek prior approval of the ESFA before entering into any related party transaction that exceeds the value (singular or aggregated) of £20K. The CFO has made contact with the ESFA to try to ascertain the process to be followed to seek their approval of a related party transaction and the Trust Secretary is in communication with the Legal advisors to resolve the approval with the DfE of the conflicts and loyalties clauses advised for inclusion in the Articles of Association of the Trust.

The two final notes (page 10); 3.7 Year End Update; and 3.8 Budget 2018/19 and 3 Year Financial Plan ask for updates on both topics and notification of any post year end issues. The key assumptions of the Budget 2018/19 it was noted were found to be reasonable and auditors have asked for an update on the Abbeygate project.

Section 4 of the report shows the 4 accounting systems and internal control observations (as noted under 3.2 above). The first observation (page 12) found that the Trustees' pecuniary interests on the Trust's website contained Personally Identifiable Information that auditors recommend be removed. The Trust Secretary confirmed that this has been replaced with a summary of pecuniary interest excluding any PII.

The second observation concerned the authority to vary financial regulations and the recommendation is for the associated form to be signed before the purchase is made in order to evidence compliance with the regulation. The Chief Financial Officer has confirmed that a review of the thresholds stated in the Trusts Financial Administration and Control Handbook is to be conducted to reduce the volume of such transactions.

The third observation regarded the purchase of alcohol for the Art Festival in June 2018. This is not a regularity issue in the year but auditors advised that as the purchase of alcohol is listed in the Academies Accounts Direction as an example of irregular expenditure, purchase of alcohol should be avoided in the future and this has been noted by management.

The last observation (4.4 on page 15) concerned the SWISS Partnership monies as it is found that SAT is administering funds of behalf of SWISS. The recommendation of Auditors is to review the terms of delegation/arrangements between SWISS and SAT, and in particular around payments to the SWISS Service provider. Management has confirmed that with immediate effect any payment to the consultant is to be authorised by the Chair of the SWISS Board.

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 20 December 2018. The Committee **approved** unanimously that a recommendation could be made for these to be signed.

RInman

G Kerkham left the meeting at 6.50pm

9 Internal Audit

Visit 1 – Report

The report shows that internal audit work was carried out on 1 November 2018 to audit Purchasing, Data Security and Insurance. The Purchasing audit concluded with Good assurance and was completed in full. Both Data Security and Insurance concluded 'Outstanding' assurance and were also completed in full.

Visit 1 – Action Plan

The Action plan shows the 5 actions to be implemented; 1 arising from the Planning Cycle and Budget audit work carried out last year; 1 on Inventory and Security; 2 for Purchasing Transactional Testing; and 1 on data security. These recommendations are being progressed and completed by the CFO and/or the Finance Manager.

10 2017/18 Committee Annual Report

The draft report has been prepared and responds to meeting the requirements of the Academies Financial Handbook enabling the Committee to fulfil its annual reporting requirements.

The report details the reporting period, membership, meetings held in the year, terms of reference, a review of the work of the internal audit service, overview of recommendation tracking, risk management and assurance mapping, a review of the Financial Audit, Financial Management and Governance Statement (FMGS), Fraud, Irregularity and Whistle Blowing, Value for Money opinion and the Opinion of the Audit Committee to be presented to the Board of Trustees.

The Committee **approved** the report.

11 GDPR Update

The Academy, One Sixth Form College, has experienced two data breaches via the GDPRIS software package.

Driving for work documents were lost but then found within a file and after investigation the folder was destroyed as it held other out of date documentation.

The second breach involved payslips being issued unsealed. This has been investigated and closed and the internal process reviewed to ensure that payslips are handled securely and in a timely manner from now on.

The Committee asked to receive an update on the role of the DPO for the Trust and who takes on this responsibility. The Trust Secretary will seek to resolve this query.

JBridges

J Wakelam left the meeting at 7.15pm

12. Risk Registers

i. Suffolk Academies Trust

The risk register of the Trust has been reviewed to identify the key risks to the Trust in the academic year. The register uses a 3 x 12 matrix and measures the level of Financial, Operational, Reputational and Compliance risk to determine the level of risk impact. Likelihood is measured on a level of 1 to 3. Overall risk rates scored 24 or higher are RAG rated Red and require immediate implementation of the controls to manage them. Amber rates are score between 18 and 22, yellow 11 to

16 and scores less than 10 are residual rates, indicated green, and have a low impact and are less likely to occur. It is typical that green rated risks remain at this level of the register and just require regular monitoring.

The register currently identifies one red, one amber, five yellow and six green status risks.

ii. Suffolk One

The risk register of the Academy has been aligned to the risk register of the Trust using the same risk management policy and score matrix.

The register currently identifies one red, one amber, two yellow and four green status risks.

The Trust Secretary was asked to combine the risk registers of SAT and One to produce a SAT register (incorporating Abbeygate). We will look at a way to identify the emerging risks.

JBridges

13. Any other business

The Committee intends to ask the Board of Trustees to reconsider its governance arrangements and designate a number of non-conflicted Trustees (not common to West Suffolk College) to the Board who can permit/authorise purchases/procurement without a conflict and/or loyalty of interest. A proposal paper will be taken to the Board meeting to be held on 20 December 2018.

SJones
JBridges

The Committee agreed that it should meet four times in an academic year; October, November, February and June. Audit issues are the dominant feature of the business in November and risk and internal audit a focus for February and June meetings.

JBridges

The Committee further agreed that the Trust should review the appointment of the incumbent internal audit service and look to procure a service that challenges, scrutinises and one that takes a risk based approach. It was recognised that this would cost more than the service provided by the incumbent and that we should approach to secure a relationship and service akin to that provided by the internal audit service of West Suffolk College. The CFO and Trust Secretary will review and report back to the Committee.

SJones
JBridges

Date of next meeting

Monday 11 February 2019 at 5.00pm. Room TG1.16 West Suffolk College

The meeting closed at 7.50pm