



AUDIT & RISK COMMITTEE

Minutes of a Virtual Meeting of the Audit & Risk Committee of the Trust Board of South East Cornwall Multi Academy Regional Trust held on Thursday 9th December 2021 at 4.30 pm.

Present	Yes/No	Present	Yes/No
Mr L Hallam - Chair	Yes	Mr R Newton Chance	Yes
Mr B Cook	Yes	Mr C Piper	Yes
In attendance	Yes/No	In attendance	Yes/No
Ms R Brooks	Yes	Mr S Lloyd	Yes
Mr D Buckley, CEO	Yes	Mr C Stevens	Yes
Mrs H Casson	Apologies	Mrs J Lumbard, CFO	Yes
Mr J Crisp	Apologies	Mrs K Williams, Clerk	Yes
Mrs L Lawson	Apologies	Mr K Connor, Bishop Fleming	Yes

1. **Welcome**

The Chair welcomed Trustees to the meeting and thanked Mr Piper for previously chairing the committee. Everyone introduced themselves.

2. **Declaration of Business or Pecuniary Interest and Academy-related parties - update on any changes since completion of written declaration**

None.

3. **Apologies**

All Audit & Risk committee members were present.

4. **Approval of the minutes of the previous meeting held on 14th July 2021**

The minutes of the meeting held on 14th July 2021 having been circulated in advance, were agreed as an accurate record and will be signed when social distancing ceases.

5. **Matters Arising**

M29. Risk Register in line with Strategic Plan - no change to Risk Register from update of strategic plan

b) Mr Hallam noted that he has not had a copy of the Risk Register and Mrs Lumbard advised that she will send Mr Hallam the link to the document which is held on SharePoint.

Update: Complete.

M32. Agree internal scrutiny testing for 2020/21

f) A Trustee noted that there is increasing amounts to cybercrime and asked to what extent we need external organisations to check the robustness of the systems in place. Trustees thought this was a significant risk and this would need to be an additional outside agency to review this. Mrs Lumbard and Mr Hallam will look for recommendations of an outside agency to support this.

Update: Mrs Lumbard has not been able to review this but will be discussing with the SMART IT Officer. It was suggested that our risk profile is low currently.

6. **Presentation of draft Accounts and Management Letter: Kevin Connor, Bishop Fleming**

Documents had been circulated in advance of the meeting. From these:

a) Mr Connor advised that the KIDD (Key Issues for Discussion Document) provides an overall

summary of the audit process and the main outcomes. There are two conclusions, these are in respect of the audit report which Bishop Fleming are anticipating issuing an unmodified audit report and are proposing to issue an unmodified regularity assurance report for the period. Mr Connor added that this was a clean and tidy audit in terms of regularity.

- b) Mr Connor explained the key significant risk areas that have been identified. Risk 1 and 2 are required to be significant risks in all audits. Mr Connor advised that risk 1 is the management override of controls which can be susceptible to manipulation and he provided examples of the searches that Bishop Fleming undertake during the audit. The overall conclusion is that this is clean and tidy and there are no concerns. Accounting estimates can also be a heightened risk so testing is completed but nothing was identified.
- c) Risk 2 is revenue recognition which is another significant risk area. Mr Connor advised that this is an area which is more difficult to test and he explained the reasons for this. Mrs Lumbard and the team have provided records and evidence to the Auditors and there are no significant errors.
- d) Risk 3 is a heightened risk of the implications of COVID-19 which looks at the new sources of income and overall impact of the schools being closed. There is nothing to report in terms of this area of risk.
- e) Mr Connor advised that regularity risks (4-6) are needed for all academy trusts. These are something that the auditors look for across all the audit work. This area was clean and tidy and the Auditors are happy with the outcome of all of these.
- f) There are two discussion points, the first being the pension valuation and the LGPS deficit which has increased. Mr Connor advised that reports are benchmarked against other schools in terms of the calculations used and these are in line with the sector. This is not something that Trustees should be immediately concerned by but it is an area which will need ongoing review.
- g) Mr Connor advised that the second discussion point is any school in a deficit position needs to be declared in the accounts and Trewidland has been noted at a breakeven point. This has been flagged for next year in case this school changes to a negative position, this would then need disclosure and explanation in the accounts.
- h) Mr Connor advised that the graphs in the audit insights are for information purposes. The Management Accounts need to be as accurate as possible and there are some late postings which were around payroll entries and this was based on resources at the time and were not found to be errors. Nothing from an audit perspective is a concern. Mr Connor explained that in regard to the timing of journals, weekend journals are something which are checked and as most are automated, these are not a concern.
- i) Benford's Law is a prediction based on large data sets of numbers. The SMART data fits well to the prediction curve and the auditors look at areas above or below the predicted line. There are no concerns in this area.
- j) Mr Connor explained the RAG (Red, Amber, Green) rating used in the Management Letter. The outcome has one amber point and three best practice points. The amber point is regarding the Internal Scrutiny work which was carried out post year end and the reasons for this were explained. As a matter of good governance, this should happen throughout the year.
- k) Best practice points are regarding journals as the posting gap should be a minimum and for purchase authorisations, there was not the available evidence of authorisation but it was agreed that this must have happened as the correct processes were used. The best practice point on trial balance is regarding some fixed assets postings but the auditors are clear on the position of this and so most points have been addressed.

- l) Two issues from previous years have been resolved and these are the register of interests for Trustees which are up to date, PPN payments and trip income which has been addressed. **A Trustee asked for clarification on 2020 issues and if there was just one unresolved point.** Mr Connor advised that it is just one minor point but this is expected to be rectified by next year.
- m) Mr Connor explained the key data in the Annual Accounts balance sheet:
 - Net movement in funds is £2.4 million
 - Revenue net move is surplus £561K
 - Available reserves £1.5 million
 - Unspent capital £1.53 million
 - Overall position of net current assets £3.119 million
- n) Mr Connor explained “going concern” which is an important point to note so that Trustees understand this before signing the accounts.
- o) Mr Connor advised “income notes” is an additional table this year and it summarises the income received for the year. The additional Covid funding has been separated and an explanation on carried forward has been provided.
- p) Mr Connor explained the overall funds analysis and the restricted general funds of £1.5 million which includes all the schools’ carried forward. The figure for Trewidland is £774 and it is hoped that this will not be lower next year or it would need some further disclosure.
- q) **A Trustee noted the free reserves and asked Mr Connor if he has any view on suitable levels of reserve and how this should be included in the Reserves Policy.** Mr Connor advised that he has seen different approaches to the Reserves Policy and he has discussed this with the CFO and CEO. Excessive carried forwards can be queried by the ESFA. There is not a correct answer to this and Trustees need to decide an appropriate level of cover. Mr Connor advised that a benchmarking document will be available later this year. School closures this year have impacted reserves in Trusts. Trustees suggested that this should be included in the next Resources meeting for further discussion. Clerk to add to the agenda.

Action: Clerk
- r) **A Trustee asked what is the forecast for Trewidland for next year.** Mrs Lumbard advised that pupil numbers are increasing and it is hoped that the school will attract pupil growth funding. Updated projections will be shared with Trustees.
- s) **A Trustee asked for clarification on the LGPS pension scheme revaluation.** Mr Connor advised that this is data is from August 2021. **A Trustee asked about this being a notional liability and if there will there be a rise in contributions.** Mrs Lumbard advised that it is on a triennial valuation and this will take place at the end of March 22 and will affect the employer contributions from April 2023.
- t) Mr Connor explained that pension adjustments have been put through as normal and normal adjustments have been made with nothing unusual. There was an error in reporting of accrued income but across two years this is fine. There are no concerns.
- u) Trustees thanked Mr Connor, Mrs Lumbard and Mr Buckley. Trustees agreed to recommend the annual accounts for Trust Board approval.
- v) Mr Connor noted the fantastic job of the finance team and thanked everyone for their work towards a smooth audit process. Mr Buckley suggested a thank you and congratulations from the Audit & Risk Committee would be welcomed by the finance team. Mr Hallam to draft a letter.

Action: L Hallam

7. **Date of next meetings:**

30-03-2022 and 08-06-2022 at 5.30pm (combined with Resources Committee).

