



TRUST BOARD 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 Wednesday 7th December 2022 at 4.20pm.

Present	Yes/No	In attendance	Yes/No
Mr M Aarts	Yes	Mr D Buckley, CEO	No
Mr L Hallam, Chair	Yes	Mrs J Lumbar, CFO	Yes
Mr C Piper	Yes	Mrs K Williams, Clerk to Trust Board	Yes
Mr R Newton Chance	Yes	Mr S Green, COO	Yes

1. **Welcome**

The Chair welcomed everyone to the meeting.

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

None.

3. **Apologies for Absence**

All Audit & Risk Committee Trustees were present. Mr Buckley had sent apologies.

4. **Approval of the minutes of the previous meeting held on 14th July 2022**

The minutes of the meeting held on 14th July 2022, having been circulated in advance, were agreed as an accurate record and will be signed.

5. **Matters Arising**

M28. Matters Arising

M13. Review the strategic risk register and discuss emerging risks or risks with increasing likelihood

b) Mr Buckley suggested that we should look at the methodology used around the five-year Strategic Plan and its risk management. We need to highlight the areas of risk to the correct committees. It was suggested that it might be worthwhile having a working party for this. Mr Buckley added that SLTF have been tasked with identifying the key risks. Strategic risks are what are stopping us fulfilling our aims. Mr Buckley will advise Trustees of the outcome of the next SLTF meeting.

Update 14-07-2022: Mr Buckley advised that the Risk Register has been discussed but needs some further work so it is in process but there is no conclusion yet. **A Trustee suggested the next meeting should discuss strategic risk as the main agenda item.** Clerk to add to agenda.

Update: 07-12-2022 This will be added to the next meeting agenda.

Action: The Clerk

35. Business Continuity Plans (BCP) – consider and agree

d) Trustees did not feel that they could agree the Business Continuity Plans at this time but it was noted that they are the latest version of a working document. Mr Buckley asked for Mr Green to check the legal position of these not being agreed and noted that internal assurance testing will need to check that we have Business Continuity Plans in place. **Trustees noted the plans do need work and will be part of an ongoing review process and any further agreement can be done by email if necessary.** Mr Buckley advised that mechanisms are in place as detailed in the plans.

Subsequent to the meeting: Mrs Lumbar advised that the ATH states that a Trust 'must' have a BCP in place so we will need to agree these plans by email with the caveat that they will be reviewed during the next 12 months.

Update: Complete.

6. **Update on H&S and Premises – Steve Green**

Documents had been circulated to the Trustees just prior to the meeting by the Clerk.

- a) The Trustees had asked for assurance following raising some concerns at the last Resources Committee meeting.
- b) Mr Green advised that there were 51 compliance items which he could not provide assurance on at the Resources Committee meeting. He was disappointed about this but felt it was important to report what he has seen for transparency. Schools should deliver compliance and ensure that this is in place and the Business Management Services Contract details who is responsible for what area. Mrs Green is responsible for reporting compliance.
- c) Mr Green has spoken to the team who have been given deadlines for reporting. The old reporting system has been replaced which previously only covered 84 compliance items and we have increased this to look at 288 items across the six schools and we have more granular details with dates. It was previously a self-assessment and a yes/no system.
- d) There are now just 21 outstanding items which will be reduced by a further three later this term. Out of the remaining 18 items, 14 items are at Saltash. There is an issue at Saltash which is being addressed.
- e) **A Trustee wanted assurance that we are compliant with our statutory requirements with certainties and evidence. It was felt the previous report contained errors and a lot of red highlighting. It was noted that there are three elements to report which are inspection or test, evidence and demonstration there is a system in place. There was no assurance from the previous H&S report. Trustees thought the report was transparent but felt that they need improvements and demonstration that the Trust is compliant with our statutory and mandatory compliance.** Mr Green agreed with the comments and explained that this is why we have adopted the DfE compliance tracker.
- f) Mr Green noted that he can answer specific questions on the report if needed. Mr Piper will read through the papers and contact Mr Green to discuss further.

Mr Green left the meeting at 4.37pm.

- g) **Trustees felt that late circulation of documents is an emerging risk and should be included in internal audit scrutiny.**
- h) Confidential appendix.

Action: J Lumbard

7. **Update following meeting with internal assurance providers – Lee Hallam**

- a) Mr Hallam explained that he met with the CEO, the CFO and Westcotts to review the internal audit plan. Westcotts discussed risk management training for Trustees. Mr Hallam explained that we have a small internal audit budget and we need to determine what should be included in the internal audit and assurance testing.

Trustees were invited to attend for the presentation of the annual accounts by Bishop Fleming.

Mrs Casson and Ms Brooks joined the meeting. Mrs Lawson, Ms Storey and Mr Crisp has sent their apologies.

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

Documents were circulated in advance of the meeting. From these:

- a) The Chair welcomed Mr Connor, Bishop Fleming.
- b) Mr Connor referred to the key issues document and advised that the audit process has gone well this year. The conclusions of the audit are complete and this is the final position. Bishop Fleming are recommending two clean audit opinions in terms of true and fair and regularity.

- c) There are two significant risk areas which are on all commercial audits. Management override of controls is the first significant risk. Bishop Fleming have not identified any material errors in their work and they are comfortable that journals are appropriate. The second risk is income recognition and noted that this is difficult for Trusts to do. Bishop Fleming have not identified any material errors in their work and there are no concerns or flags.
- d) The third heightened risk is the accounting for Dobwalls School Nursery. The onboarding of a new nursery function and controls embedded are to ensure they are correctly brought into the Trust. No issues were found.
- e) Others risks relate to regularity. There were no issues which need to be highlighted to Trustees.
- f) Section three discusses additional financial matters raised in the audit process. Harper Trust V Brazel was explained and the Trust has an assessment on potential liability and the auditors are comfortable with the conclusion of this.
- g) Trewidland has a deficit which is expected to short term. Where the Trust has a school with a deficit, this needs to be included in the accounts and a basic sentence needs to be included as to how this will be rectified.
- h) In terms of pensions there is a large reduction in the deficit and this is seen in all Trusts in the sector which this is due to the assumptions being used and the discount rate. This is linked to market movements on corporate bonds and it is a short-term snapshot issue and we are expecting the deficit to increase again next year. Mr Connor explained the DfE clarification paper which looks into the government guarantee, that if the Trust closes, the government unwrites the pension deficit. The letter confirms that should an individual school in a Trust close, the liability of the deficit would remain with the Trust. We have benchmarked against other Trusts and the pension deficit has been updated in the accounts.
- i) **A Trustee asked if this relates to LGPS (Local Government Pension Scheme).** Mr Connor advised that this is correct and the Teachers' pension is accounted for by contributions. **A Trustee felt this was a temporary glitch.** It was explained that it is linked to markets. **A Trustee asked about individual schools and the liability of the LGPS residing within the Trust and asked if this could be significant sum and what is the government doing about it.** Mr Connor advised that this is the case and the government will not cover this.
- j) The management letter recommendations are RAG (Red, Amber, Green) rated. There are no red items again this year. Ambers are material in nature so do need to be addressed. There is only one amber and no red points this year so comparable to last year. We have discussed VAT balance which is a best practice recommendation. The amber points relates to management accounts and the ATH (Academy Trust Handbook) states that Trusts should have a balance sheet each month and in the majority of months the Trust do have this but we have found one month which did not during sampling. There was also a very minor point on fixed assets registers. Internal scrutiny work completed in the current year was completed in one visit and this work should cover the year and have two visits. This was a miscommunication with the provider this year. The final point relates to journals and the posting gap. We look at this as it can imply that financial information is not as up to date as it should be. It is understood that this is largely due to a staff capacity issue. We have looked at journals and they have not meant that the financial information presented is incorrect. Everything else has been clean. This was a fantastic result for the CFO and the team.
- k) The accounts are difficult to understand so we have included a one-page analysis of performance. The surplus of £10.2 million is due to the movement on the pension. We have an improvement in funds of £328k. The yearend position is £1.9million. The balance sheet shows the movements in funds. The important number for Trustees is the net current assets line which is £3.6million. In the statement of funds, we are showing at the end of year, unrestricted funding of £0.5million. GAG (General Annual Grant) is £1.2 million with a carried forward of Pupil Premium funding. All Sports

Premium funding is spent as this would have needed to be repaid if this had not been the case. There is £1.6million of unspent capital.

- l) In terms of adjustments, we do not have any unadjusted items. The adjustments themselves have only been a minor point in bursary expenditure and a release of a MIDAS accrual which is a historic accrual of about 6-7 years. The pension adjustment has been put through.
- m) **A Trustee asked about tangible assets and what is included.** It is largely land and buildings. Freehold, leasehold and small pots of furniture and IT. **A Trustee asked if these figures are updated with inflation etc.** Mr Connor explained that they are reported at original costs and depreciated down as they are used. Freehold land does not get depreciated or increased. All costs are based and set on the transfer value to the Trust.
- n) **A Trustee asked about the £3.5million and is this too much or little.** Mrs Lumbard advised that capital is higher than we want as we are in a backlog of works. She met with the Estates and Facilities Manager and the COO to look at the plans for spending this academic year. In terms of revenue, we are just over 8% so given the pressures on the budget such as energy costs, it is a good starting point. Mrs Lumbard is looking at some financial modelling and we should have more idea of allocations of the additional income announced in the Autumn Statement before Christmas.
- o) **A Trustee asked how does capital allowance work.** Mrs Lumbard advised that every year, we receive around £412k and the intention is that this will be spent annually but we are on catch up at the moment. **A Trustee felt that this is still spent on prioritised work.** Mrs Lumbard advised that this is the case. Mr Connor noted that some Trusts have been able to increase their SCA (School Condition Allocation) when they have not accepted the grading that they have been given by the DfE. **A Trustee thought that it was expected that Trusts should have 5% reserves with there being a minimum of 3%.** Mrs Lumbard advised that the goal posts have moved so it is lower than previously suggested.
- p) Trustees thanked Mr Connor for his presentation and making it understandable for Trustees.

Mr Connor left the meeting at 5.22pm.

- q) Trustees felt the Trust was in a strong position from an Audit & Risk Committee point of view. It was noted that the pension deficit will be a concern for Members at their meeting next week.

9. **Summary of matters for the Trust Board**

- a) The committee noted a clean bill of health in terms of the audit and would be recommending the accounts are approved by the Trust Board.
- b) The committee will be reviewing the approach to risk management and internal audit.

10. **Agreements made by email – For information**

- a) Agreement of the Business Continuity Plans – 21-07-2022.

11. **Date of next meetings:**

22-03-2023 Resources/A&R, 07-06-2023 Resources/A&R and 12-07-2023 Resources.

The meeting closed at 5.24pm.

Action Summary	
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