



## 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 Thursday 14<sup>th</sup> July 2022 at 5.30pm.

<b>Present</b>	<b>Yes/No</b>	<b>In attendance</b>	<b>Yes/No</b>
Mr M Aarts	Yes	Mr D Buckley, CEO	Yes
Mr Lee Hallam, Chair	Yes	Mrs J Lumbard, CFO	Yes
Mr Chris Piper	Yes	Mrs K Williams, Clerk to Trust Board	Yes
Mr Newton Chance	Yes	Mr Kevin Connor, Bishop Fleming	Yes

### **Summary of matters for the Trust Board**

- a) The Committee is working on risk management maturity.
- b) The Committee have confirmed the external audit plan for next year and are looking at a maturity approach around internal audit.
- c) The Resources and Audit & Risk Committee are reviewing their schedule of work to ensure there is parity of work between the two committees.
- d) The Committee has reviewed the Business Continuity Plans and are waiting for confirmation if they need to be fully approved by them.

#### 24. **Welcome**

The Chair welcomed everyone to the meeting, especially Mr Aarts.

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

There were no declarations.

#### 26. **Apologies for Absence**

All Trustees were present.

#### 27. **Approval of the minutes of the previous meeting held on 28-03-2022**

The minutes of the meeting held on 28<sup>th</sup> March 2022, having been circulated in advance, were agreed as an accurate record and will be signed.

#### 28. **Matters Arising**

##### **M12. Matters Arising**

##### **M6. Presentation of draft Accounts and Management Letter: Kevin Connor, Bishop Fleming**

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.

Update 28-03-2022: Mr Hallam needs to draft the letter.

Update 14-07-2022: Mr Hallam advised that he has now passed a letter to Mrs Lumbard to be

*circulated to staff.*

**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: 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.*

**Action: The Clerk**

29. **Consider Autumn Audit Plan – presented by Kevin Connor, Bishop Fleming**

A document was circulated in advance of the meeting. From this:

- a) Mr Connor advised that we are in the planning phase of the autumn audit. There has had an initial planning meeting with the CFO and CEO. This starts the process and they discussed emerging issues. The external audit plan has been circulated.
- b) Key points are:
  - 1.1 Engagement objectives and scope  
As external auditors, Bishop Fleming have two opinions. The first is to give a true and fair view and this is based on the numbers within the accounts themselves. The level of audit work is slightly higher in this aspect of the audit and auditors look for reasonable assurance. Regularity is the second opinion and there is limited assurance in this area which is lower in amount of audit work.
  - c) 1.2 independence  
Bishop Fleming must remain independent of the Trust so they can provide a third-party view. Therefore, they undertake an annual related parties checks of the Bishop Fleming staff to ensure that they remain independent of the Trust.
  - d) 1.4 Going concern procedures  
This is about the Trust being a position to operate for 12 months after signing off the annual accounts. Bishop Fleming comment and agree that the Trust has the cash and reserves so that it would be able to continue. The Trust Board needs to understand this and we are required to provide an assessment of this conclusion. We need to have this due to risk around going concern which has been heightened because of the current economic climate and it must now be a positive opinion. The Trust Board must draw their own conclusion before the accounts are signed off.
  - e) 1.6 Audit materiality  
Materiality is the thresholds that auditors apply as they cannot look at every single transaction. There is a basis of materiality for fixed assets of 5% and everything else to 2% of incoming resources. Regularity is slightly different and is material by nature so these thresholds are not applied to regularity.
  - f) 1.7 Risk assessment and significant risks  
Audit is a risk-based approach. There are standard levels of audit work which have a heightened risk factor or significant which receives a higher level of audit work. Everything will be low risk apart from the following, significant risks which are included on all audits:  
Management override of controls - The work undertaken by auditors on journals was explained by Mr Connor. The outcome of this work is presented back to Trustees in the audit completion report.  
Fraud income recognition – There are many different income streams with different remits. The auditors have a look at all forms of income streams and these are tested. They have an income

analysar which draws out Trust information from ESFA and DfE to confirm large amounts of income.

- g) Three regularity risks which are all standard – risk of unauthorised activities or expenditure being incurred; risk of related party transactions occurring and not being detected or properly approved and risk of unauthorised borrowings and leases being in place.
- h) There is one heightened risk which is the Dobwalls nursery as this is a new activity. This is being reviewed and there is a risk around controls. This is not a significant risk to the Trust and therefore only deemed heightened.
- i) Bishop Fleming have agreed with the CFO to use a hybrid approach to the audit fieldwork and will be working remotely for a few days during the audit which will relieve some pressure on Finance staff.
- j) Trustees were content with the information on the audit plan as presented.

Trustees thank Mr Connor and he left the meeting at 5.55pm.

30. **Discuss the Risk Register in line with Strategic Plan - changes to Risk Register from update of strategic plan**

- a) Mr Buckley advised that we have assessed the risks with SLTF. Mr Buckley advised that this group meets annually and they have had a key role in the redrafting of the Strategic Plan. The intention is that the Risk Register should be reviewed by each school and mitigations should be in place. We have formed a set of risks and then identify which risk is allocated to which Trust Board Committee. The Risk Register was discussed at the recent Learning Committee meeting.
- b) The CFO, CEO and Mr Hallam met recently to discuss the risks register and the scope of the internal assurance testing. The meeting was really useful and the CFO and the CEO will be looking at the existing Risk Register in September and there may be a radical change. This in turn will help inform the internal assurance testing programme. **A Trustee noted that the Audit & Risk Committee must have a stance on the strategic risks.** Mr Buckley advised that the large risks to the Trust are currently included in the Risk Register. It was discussed that the Audit & Risk Committee should look at risks and assure the Trust Board and some further suggestions for non-financial risks can be brought forward from the audit plan.
- c) **A Trustee asked if we are happy with the risks being reviewed by the other committees or should all risk sit within the remit of the Audit & Risk Committee.** It was suggested that the Audit & Risk Committee should have oversight and this committee might not have the expertise in all areas of the Risk Register The Committee can decide which are high risks and decide what should be included in external audit for further scrutiny and assurance. Mr Buckley added that the Committee does have oversight of the Risk Register but if we ask the SLT (Senior Leadership Team) to evaluate if the risks have reduced or increased this would be more useful information and this could be added to the document. **A Trustee suggested that a one-page summary of movement in risks would be beneficial for Trustees to consider during meetings.**

31. **Internal assurance scrutiny tests to be decided and agreed**

A document was circulated in advance of the meeting. From this:

- a) Mrs Lumbard advised that she will be meeting with the CEO in September to discuss the internal assurance scrutiny tests and what they will look like. These tests would normally happen in January and at the end of June/beginning of July each year. Following this discussion, the CFO and CEO may meet with Mr Hallam and/or share information to Trustees by email.
- b) Mrs Lumbard will contact Kreston Reeves to advise that we are looking for hybrid testing next year. Kreston Reeves have provided a set of standard tests on different elements of risk (safeguarding, H&S, Cyber etc) but these may not match exactly what we require. It is important

that the level of testing fits to the Trust's key risks. Therefore, the scope will be decided following the work planned by the CFO and CEO in September. The agreed plan will then be sent to Kreston Reeves so tests can be carried out.

32. **Accounting Officer report to include any irregularity and proprietary issues and matters referred to the AO for guidance**

- a) The Financial Statements and Trustees report for the financial year 2020/21 that were submitted to the ESFA in advance of the deadline of 31st December 2021 and have been filed at Companies House prior to the deadline of 31st May 2022.
- b) The Financial Statements contain a statement regarding Regularity, Propriety and Compliance which you will sign as AO. You could confirm that there have been no instances of material irregularity, impropriety or funding non-compliance between now and when the financial statements were signed in December 21.
- c) The AAR (Academy Accounts Return) based on the year end accounts to August 2021 was prepared and returned to the ESFA in advance of the deadline of 25th January 2022.
- d) The budgets for 2022-23 have been prepared and a final draft presented to the relevant LGCs across the Trust. An overview of the final budgets will be shared with the Resources Committee 14th July for discussion. These will then be ratified by the Trust Board on 19th July. These documents will then be returned to the ESFA on the BFR (Budget Forecast Return) in advance of the deadline of 26th July 2022.
- e) The testing programme for the internal assurance audit for 2022/23 will need to be agreed by the Audit Committee this evening. The testing will be undertaken remotely by Kreston Reeves in Chatham who will then issue a report to the Audit Committee. The level of assurance testing is determined in line with the guidance contained within the ATH and includes regularity testing in terms of necessary expenditure etc.  
Also, as a larger trust, internal audit testing is undertaken by the central finance team once a term at each of the sites.
- f) **A Trustees referred to regularity, propriety and non-compliance and asked if these issues are included in the external audit.** Mr Buckley advised that we have a list of "Musts" which we must assure ourselves of and some of these are through audits and some we satisfy ourselves.
- g) To report on the proposed intake numbers for September 2022 for primary, 11-16 and post 16.  
Intake numbers  
Dobwalls 30  
Landulph 12  
Liskeard 223  
Looe 105  
Saltash 241  
Trewidland 7 maybe 8 with 37 children in total  
The only school which not to maximum PAN (Publish Admission Numbers) is Trewidland. We don't have numbers for sixth form yet and this tends to vary more than other year groups.

33. **Finance report to include finance policy changes and a budget update for significant changes that may impact on risk**

A document was circulated in advance of the meeting. From this:

- a) Mrs Lumbard advised the finance report has been shared with the Resources Committees as well as this committee as the membership is the same. In terms of what we should report to the Audit & Risk Committee, these are the items which are risks to the Trust such as the Teachers pay increases.
- b) It was discussed that the Committee does need to discuss its remit and perhaps we need to

reshape agenda items. It was noted that the minutes of meetings are part of the annual audit. The Risk Register is in place so financial risks will be identified and we are working towards a maturity model and deciding the format of the Committee will be a learning curve.

34. **Report of any novel or contentious transactions to consider risk**

A document was circulated in advance of the meeting. From this:

- a) The definition of novel and contentious transactions has been provided from the ATH (Academy Trust Handbook). We have reviewed this and we must make a declaration that since the accounts have been signed, there have not been any transactions of that nature in the Trust.

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

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

- a) **A Trustee asked how are we testing the Business Continuity Plans and how are Trustees assured that these are effective.** Mrs Lumbard advised that the plans have not had a formal testing in recent years although Covid has been one element of the plans. Mrs Lumbard is keen to discuss the plans with TOLT (Trust Operational Leadership Team) and the Operations Managers need to take discuss with the Headteachers and take an element of each plan to test the process. This discussion has been included in the TOLT schedule of work for next year and this review would work well in the spring term ahead of the plans being agreed in the spring/summer term by LGCs (Local Governing Committee) and the Audit & Risk Committee.
- b) **A Trustee noted that Liskeard's plan is in a different format again.** Mrs Lumbard will discuss with TOLT to agree a single format and advised that the format is different because of the software being used.
- c) **A Trustee noted that one of the highest threats to the schools is funding so asked if this should be included in the Risk Register instead. Trustees suggested that a shortfall of funding would not be classed as an incident and should not be in a Business Continuity Plan and should indeed be in the Risk Register instead.** Mr Buckley explained that we need to do a systematic review of these of the plans over a number of years as we need to make sure that we do not overload senior teams in terms of internal audit.
- 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 Lumbard 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.*  
**Action: The Clerk**
- e) **A Trustee asked if the ATH prescribes what needs to be covered in the plans.** Mrs Lumbard explained that it is at the discretion of the Trust and the information is not prescribed. The information contained came from a discussion in the working group which was supported by Zurich but this can be revisited over the next twelve months.

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

- a) The Committee is working on risk management maturity.
- b) The Committee have confirmed the external audit plan for next year and are looking at a maturity approach around internal audit.
- c) The Resources and Audit & Risk Committee are reviewing their schedule of work to ensure there is parity of work between the two committees.

- d) The Committee has reviewed the Business Continuity Plans and are waiting for confirmation if they need to be fully approved by them.

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

- a) None.

38. **Risk Management**

- a) **A Trustee referred to changes in the Trust email quarantine system and asked if the profile of email security needs to be increased.** Mr Buckley advised the risk should be decreasing as we have heavily invested in SOPHOS which has already protected us from potential attacks.

39. **Date of next meetings:**

02-11-2022 Resources, 07-12-2022 A&R, 22-03-2023 Resources/A&R, 07-06-2023 Resources/A&R and 12-07-2023 Resources.

The meeting closed at 6.31pm.

<b>Action Summary</b>	
<p><b>M28. Matters Arising</b>  <b>M13. Review the strategic risk register and discuss emerging risks or risks with increasing likelihood</b>            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.  <i>Update: 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. <b>A Trustee suggested the next meeting should discuss strategic risk as the main agenda item.</b> Clerk to add to agenda.</i></p>	<p><b>Action: The Clerk</b></p>
<p><b>35. Business Continuity Plans (BCP) – consider and agree</b>  <b>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.</b> 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. <b>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.</b> Mr Buckley advised that mechanisms are in place as detailed in the plans.  <i>Subsequent to the meeting: Mrs Lumbard 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.</i></p>	<p><b>Action: The Clerk</b></p>