

## MINUTES

### Summer term 2018 meeting of the Audit and Risk Committee

Held at Priestley College on Wednesday 20 June 2018, 6pm

Alan Farquharson	AF	Bev Scott-Herron (Sir Thomas Boteler High School)	BSH
Matthew Grant	MG	Damian McGuire (Priestley College)	DMc
Howard Platt	HP	Mike Benson (Murray Smith – External Auditor)	MB
Linda Waterson	LW	Graham Gillespie (Wylie and Bisset – Internal Auditor)	GG
Clare Findlay	CF	Kirsten Riley (Clerk)	KR
Philip Dyke	PD		

#### 1. Welcome

The chair welcomed everyone to the meeting.

#### 2. Absence/Apologies

S Whatmore sent apologies for the meeting. The committee **accepted** the apologies.

#### 3. Declaration of personal interests

Committee members were reminded of the requirement to declare any interests, pecuniary or otherwise pertaining to the meeting. No personal interests were declared.

#### 4. Confirmation of chair

The committee were informed that it had been agreed at the Trust Board meeting on 14 February 2018 that LW would chair future Audit and Risk Committee meetings.

#### 5. Committee Membership

The chair acknowledged that there had been a number of discussions around committee membership.

The committee **agreed** that there be a maximum membership of 10 committee members with a minimum of 3 Trustees. The quorum for the meeting will be 2 Trustees.

**Action: Clerk to amend the Terms of Reference to confirm the membership changes for the Audit and Risk Committee.**

#### 6. Minutes

The minutes of the previous meeting held on 7 February 2018 were confirmed as a correct record.

##### a) Matters Arising

There were no matters arising from the minutes.

b) Action Log

All actions within the action log were noted as complete.

**7. Financial Management and Governance Self-Assessment (FGMS) return and update**

The committee were presented with a copy of the letter from the Education and Skills Funding Agency (ESFA) setting out the findings and recommendations from the FMGS visit. The committee noted the Trust response to the recommendations. MG confirmed that all recommendations were accepted by the Trust.

The Trust must ensure that the Trust-wide financial regulations are approved by the Trust Board

The Trust will present the draft regulations to the Trust Board on 4 July 2018.

The Trust must implement a Trust-wide contingency and business continuity plan

The Central Executive Team are in the process of developing a Trust wide business plan that will be in place for September 2018.

The Trust must implement a process for the independent checking of financial controls

The Trust is in the process of appointing Internal Auditors.

The Trust must ensure that its Audit committee agrees a programme to address the risks to financial control

Internal auditors are due to be approved by the Audit and Risk committee. The internal auditor will present a programme of work to the committee.

The Trust must ensure that consolidated budget monitoring reports are produced on a monthly basis

The Trust will produce monthly budget monitoring reports from June 2018. The spending profile will be presented to the Finance, HR and Operations Committee.

The Trust should ensure that the Code of Conduct for Directors and Governors specifically refers to the duties of Trustees as Directors of the company and Trustees of the charitable Trust

The Trust will revise the Code of Conduct from the start of the next academic year.

The Trust should consider maintaining a central register of business interests. To be updated at least once each year

The Trust will continue to maintain these records locally but will upload centrally at least once a year. This will be arranged at the start of the next academic year.

MG asked if the committee had any questions with regards to the FGMS.

LW highlighted that the Trust Board currently receive the accounts once a term; **LW asked** who would be responsible for monitoring the monthly consolidated accounts. DMc confirmed that the monthly consolidated accounts will be emailed to the Central Executive Team and the Trust Board.

MG informed the committee that the Academies Financial Handbook has been updated. The handbook is issued by ESFA and it describes the financial requirements for academy trusts. There are a number of changes since the last handbook was published.

**Action: Clerk to circulate the new Academies Financial Handbook.**

## 8. Internal Audit Appointment

DMc reported that the internal audit tender documents were completed and issued. Four tender responses were received and were evaluated against the criteria.

Following evaluation, two firms were invited to the formal presentation stage. The panel consisted of LW, PD, MG and DMc.

**Recommendation: The panel agreed to make a recommendation to the Trust Board that Wylie and Bisset be appointed to the role of internal auditor for four years plus an optional one year roll on.**

The committee **agreed** to the recommendation of the panel.

## 9. External Audit: Update and draft plan

MB presented the Audit Strategy Memorandum for Year ended 31 August 2018 to the committee. MB advised that a duty of the external auditor is to ensure that there has been no fraudulent activity. MB explained that if governors or Trustees have any concerns, they have a duty to disclose these to the external auditors.

MB clarified that the reports that will be provided as a result of the external audit will be:

- Audit Report on the Financial Statements
- Audit Report on the Regularity Audit
- Audit Highlights and Management Letter document reporting on the main findings from the audit
- Audit Report on Teachers' Pension Agency returns

MB informed the committee that Murray Smith have worked well with the internal auditors, Wylie and Bisset, for the last 5 years. MB wished to acknowledge that Wylie and Bisset offer much more than others in the market.

MB assured the committee that Murray Smith has policies and procedures in place to ensure there are no conflicts of interest. Murray Smith is not connected in any way with TCAT or any of its staff or governors.

MB advised that he will carry out the audit process, while N Tucker will review the files. The files will also be available for inspection during Murray Smith's annual Audit Quality Control Review.

MB highlighted the risks that TCAT may face:

## Capital expenditure and fixed assets

As the properties are a fixed asset, Murray Smith will review last year's confirmed valuations.

## Expenditure and Value for Money

Murray Smith will review expenditure to determine that everything has been appropriately authorised and the correct procedures are in place. MB informed the committee that Murray Smith will visit each school to review current procedures to ensure they are appropriate.

## Income

Murray Smith expect to agree with the Trust's principal income to statements from the Funding Bodies.

## Payroll

The payroll function is currently outsourced and is a big part of the Trusts expenditure; Murray Smith will consider the review by Wylie and Bisset and will design tests to check procedures in place are effective.

## Accruals and prepayments

The level of accruals and prepayments calculated by management can have an effect on results. A full review of year end accruals and prepayments will be undertaken.

## Consolidation

MB advised that the consolidation process is important; having information from multiple academies could cause inaccuracies. Murray Smith will ensure they are incorporated into the main financial statement.

**PD asked** if MB had any concerns. MB advised that the last management accounts were a concern due to the short timeframe; the process will run much better this year. DMC informed the committee that there is a concern with regards to the consistency of coding within the budget. This is being addressed.

MB provided the committee with the proposed timetable. The timetable starts with interim fieldwork during the summer term. The interim fieldwork will integrate an audit of the teacher's pension agency returns. All other fieldwork will be carried out

during the autumn term. Following fieldwork, Murray Smith will meet with DMc to discuss any issues or concerns. DMc will then issue a draft financial statement and Murray Smith will issue a management letter ready for the next Audit and Risk Committee on 5 December 2018.

LW acknowledged that Murray Smith will focus on key risk areas and thanked MB for his time.

## **10. Internal Audit Draft Plan: Draft Plan**

GG presented the internal audit plan to the committee.

GG informed the committee that Wylie and Bisset have met with MG and DMc to discuss the proposal. GG explained the background of the company, and the internal audit process. The committee were provided with information about the Core Audit team.

GG confirmed that the formal Audit Needs Assessment was produced based on the following:

- Review of the Trust's Risk Register
- The identification of all areas of work
- The grouping of systems for audit purposes
- The identification of key controls and associated risks

GG reported that the Audit Needs Assessment will be reviewed continuously. Any proposed changes will be presented to the Audit Committee for discussion and approval.

GG provided an overview of the operational plan for Year 1 (2018-2019). The committee were also given the timescales for visits and draft reports:

- Review of financial controls. Deeper reviews will be undertaken in Year 2 and Year 3
- Review of Safeguarding arrangements within the Trust
- Ensuring the Trust are complying with General Data Protection Regulations
- Ensuring IT systems have the appropriate controls in place. In particular security of the network and storage of backup information
- Ensure the appropriate corporate governance arrangements are in place
- Ensure the Trust has appropriate risk management arrangements

GG explained that the reporting arrangements for internal audit will be discussed and agreed by the Audit and Risk Committee. GG informed the committee about the reports that will be produced:

- Audit Needs Assessment
- Annual Plan
- Report on each audit assignment
- Annual Report on the internal audit service's activities

GG provided the committee with the operating plan from 1 September 2018 to 31 August 2021. Each area of review will have a grading in accordance with the following classification:

- Strong
- Substantial
- Weak
- No

Each recommendation is graded as high risk, medium risk or low risk.

The committee were informed that Wylie and Bisset have a number of key performance indicators, with a target of 100% for each. The draft annual report will be prepared for September 2018.

**Action: Clerk to circulate the internal Audit Needs Assessment presentation to the committee.**

LW highlighted that the internal audit will cover a breadth of financial and non-financial systems.

**HP asked** if an internal audit report will be completed prior to each Audit and Risk Committee meeting. GG confirmed that a report for each audit assignment would be prepared ready for each Audit and Risk Committee meeting.

The committee discussed the service that Wylie and Bisset are offering, and how it compares to the local authority. LW highlighted that academies seem to be under more scrutiny than a local authority maintained school.

MB acknowledged that receiving the internal audit annual report in June 2018 is beneficial for the external audit, as there will be a full year of reports to review.

## 11. Risk Management Plan Update

The committee reviewed the issues that could affect the Trust:

The Trust is destabilised by local developments regarding academies, Free Schools and the UTC

The UTC has worked with local heads to agree arrangements to ensure a smooth transition from Year 9 to Year 10 at the UTC. TCAT schools have not lost too many pupils at this stage.

Government policy relating to the impartial advice and guidance limits access to young people in schools without a Sixth Form

TCAT secondary schools and Priestley College are supporting the local authority in the drawing up of an application to the Careers Enterprise Company for the Personal Guidance Fund. Secondary schools and the college are in the process of developing their careers strategies.

Trust/school/college reputation affected negatively by press coverage

Through the pay dispute with NEU and NAS the Trust avoided negative press. The Trust and individual academies continue to receive positive local and national coverage. The Trust continues to keep communication open with press by producing TCAT Times.

## Underachievement of pupil/learner numbers

Pupil numbers have increased slightly compared to 2017 applications. Priestley College applications are 8% lower than this time last year. Steps are being taken to improve conversion rates from application to enrolment.

## Failure to safeguarding pupils/learners appropriately

The school condition fund expenditure relating to health and safety will be reported to the Finance, HR and Operations Committee meeting on 20 June 2018.

## Staff absence disrupts school/college operations

Restructuring work is continuing. The impact on the budget will be discussed at the Finance, HR and Operations Committee meeting on 20 June 2018.

## Industrial action disrupting teaching and learning

Disputes with unions are now resolved. The unions were complimentary of the process undertaken. The Trust Pay Policy will be reviewed at the Finance, HR and Operations Committee meeting on 20 June 2018.

## Failure to respond to any future misalignment of school/college staffing establishment

Reductions in staffing are being carefully managed. A number of vacancies have been successfully filled and two colleagues will be moving from Bridgewater to Priestley College.

## Uncertainty over qualifications frameworks jeopardising long-term performance and curriculum offer

Priestley College's application to be part of the 2020 T Level pilot was successful. Being the only college in Cheshire and Warrington to be selected, Priestley have been asked to host the next Employers Forum. The process will be competitive for pupils, as there will initially be 15-20 places available.

## Tribunal claims

An internal grievance issue was resolved in March 2018 and there is no longer a threat of a hearing.

## Failure to deliver identified annual budget savings impacting negatively on delivery of financial plans

Work is still required with regards to finance reporting. The Trust will need to invest in more staffing. The Central Executive Team have agreed to a 1.5% levy for

2018/2019 to invest in the school improvement function and the creation of a back office function.

**LW asked** if DMc's current agreement to work 3 days for TCAT is still sufficient, taking into account the production of monthly finance reports. MG and DMc both agreed that the three days are sufficient. DMc explained there were previous staffing issues at Priestley College that are now stable. Setting up processes for the Trust also had an impact on his time. DMc reported that TCAT now have a group VAT registration in place, this will ease the burden on TCAT staff who previously would have had to complete Section 136 forms.

DMc explained the group VAT registration process to the committee. The committee discussed an option for the VAT on adult lunches to be removed. DMc explained that this would only work for those schools who offer in house catering. CF highlighted that free lunches for staff would be a 'benefit in kind' which would then be taxable. **HP asked** if meals could be subsidised based on it being a supervisory service. DMc confirmed that duty staff receive a meal that is not subject to VAT. HP did not feel this to be the most staff friendly policy.

CF queried the element of risk around T Levels. She highlighted that a number of digital employers are objective to the T Levels as work experience impacts the business. CF highlighted that one of the downfalls of Future Tech in Warrington were that employers were asked something that they could not commit to. **CF asked** how Priestley College will make sure that T Levels are successful. MG highlighted that a consultation process is taking place. There are still a number of discussions to take place before the T Levels commence in 2020.

CF understood that there is no progression route after a T Level. Young people who undertaken T Levels will not be able to do an apprenticeship. MG advised that there is national pressure to ensure that General National Vocational Qualifications will still be available.

**HP asked** who the Finance and Operational Lead for the Trust is. MG confirmed that A Laing is the Trust's Finance and Operational Lead however this is not a permanent position.

## 12. Any Other Business

### a) Letter – Lord Agnew

MG reported Lord Agnew has sent a letter to all auditors about what is required when reporting.

**Action: MG to send Lord Agnew's letter to the clerk for circulation.**

**LW asked** if the requirements are manageable. GG confirmed that the requirements have been accounted for within the planned works.

### b) General Data Protection Regulations (GDPR)

**CF asked** if the committee are confident that GDPR statements and policies have been properly cascaded to all staff by the relevant data protection officers. LW

## The Challenge Academy Trust (TCAT)



explained that TCAT employees have completed a lot of work around GDPR. As a governor at a TCAT school, LW confirmed that she received assurances that most, if not all, actions had been addressed at local governing board level. The oversight from Wylie and Bisset will be useful in ensuring that the Trust remains on track.

MB explained that the deadline of 25 May 2018 was an expectation date for organisations to be moving in the right direction.

CF wished for assurances that there was evidence that all GDPR information had been cascaded.

DMc advised that schools have always had procedures in place with regards to personal data and all TCAT academies have had a designated lead to review the arrangements. Presentations for staff have also taken place.

LW thanked CF for her comments.

### c) Time of meeting

LW made a recommendation that the future start time of the Audit and Risk Committee be moved from 3pm to 4.30pm due to the subsequent Finance, HR and Operations Committee at 6pm.

The committee **agreed** with the recommendation.

**Action: Clerk to change the start time for future meetings of the Audit and Risk Committee.**

*The meeting closed at 4.09pm*