



THE CHALLENGE ACADEMY TRUST

Minutes of the meeting of the Audit and Risk Committee

Thursday 2nd December 2021

Time: 4.34pm – 5:28pm

Venue: Zoom

Attendees	
Andrew Moorcroft	CEO
Howard Platt	Trustee
Linda Waterson	Trustee, Committee Chair
Stephen Whatmore	Trustee
Philip Dyke	Associate
Adrienne Laing	Operations Director
Damien McGuire	Finance Director
Mike Benson	External Auditor
Neil Clark	Internal Auditor
Claire Howarth-Platt	Clerk
Nicola Tucker	

Documents circulated prior to the meeting
<p>Minutes of the Audit and Risk Committee meeting held 1st July 2021</p> <p>TCAT Payroll Report Final</p> <p>TPA Audit Report 2021</p> <p>TPA Signed 2021</p> <p>Annual Report TCAT 2021</p> <p>Cover</p> <p>Audit Completion Report</p> <p>TCAT Letter of Rep 2021</p> <p>TCAT Risk Management Action Plan 2021</p>

Part one – non confidential business

The meeting opened at 4:34pm The meeting was quorate	
1	<p>Welcome</p> <p>LW welcomed all in attendance to the meeting.</p>
2	<p>Membership</p> <p>a) Appoint the Chair of the committee</p> <p>Linda Waterson was nominated as Chair of the committee.</p> <p>Resolved: Linda Waterson was appointed as the Chair of this committee for a term of one year.</p> <p>b) Updates</p> <p>Agreed: Trustees agreed to retain the existing committee membership.</p>



3	<p>Absence/Apologies</p> <p>Apologies had been received from Alan Farquharson.</p>
4	<p>Declaration of personal interests</p> <p>There were no declarations of personal interest for items on this agenda.</p>
5	<p>Minutes - To confirm the minutes from the meeting held on 1st July 2021</p> <p>a) Matters arising</p> <p>Trustees commented that the audit follow up annual report stated that most recommendations had been actioned and requested an update on the outstanding actions. DM advised: <i>Contracts Register:</i> All academies had started to populate the contracts register: a definitive list of contracts was in place, with some further detail required. <i>Financial regulations:</i> policies had been reviewed following the update and were being drafted over the next month to be brought to committees once completed. <i>IT:</i> The Trust were working closely with Abtech to undertake the preparatory work for the Cyber Essentials accreditation.</p> <p>b) Action log</p> <p>There were no outstanding actions for review.</p> <p>Resolved: Trustees approved the minutes as an accurate record of the meeting.</p> <p>Trustees queried whether the Executive Summary of the review was available. NC had not completed it, but would do so and forward to AL.</p> <p>Trustees commented that an appendix was being considered for the Risk Management plan. DM advised that this had not been added.</p> <p>Action: Add an appendix to the Risk Management Plan to remove risks.</p>
6	<p>Internal Audit</p> <p>a) Payroll Audit Report <i>Neil Clark presented to the Committee.</i></p> <ul style="list-style-type: none"> • The first review had been completed in October. • A business continuity review would be undertaken in January. • Due Diligence and follow up would take place in April. • The purpose of the first review was ensure that appropriate pay roll procedures were in place. • It was noted during the report that prior to the transfer of the pay roll provider, the Trust had investigated options.



	<ul style="list-style-type: none"> • Warrington Borough Council payroll processes were time consuming with no availability for electronic payslips for staff, which created additional work. • The tender process was noted • The contract had been awarded to EPM. • Dual/parallel testing had taken place in February and March before the transfer of payroll services went Trust wide in April. • There had been a few teething issues but after these issues settled it had worked smoothly. • Extensive training had been supplied to staff. • The EPM portal access had been restricted by Academy. • Reconciliations were being undertaken monthly with records provided by EPM. • Management reports could be downloaded from EPM. • Regular performance reviews were taking place every two months. • Work had been undertaken in line with the 5 objectives. • The report was strong with three low graded recommendations: <ul style="list-style-type: none"> ○ Records of payroll authorisations. ○ Retention of draft reports prior to final payroll being authorised. ○ Updated policies and procedures to reflect the transfer of payroll provision. <p>Trustees extended their congratulations and thanks to Trust staff.</p> <p>Trustees questioned whether there were cost savings from the transfer of payroll provision.</p> <p>Savings were £1.20 per payslip which amounted to around £10,000 annually.</p>
7	<p>External Audit</p> <p>a) Teacher's Pension Audit Report</p> <p>The Teacher's Pension Audit Report was due by the end of September and had been submitted on time.</p> <p>b) TCAT Annual Report 2020/21</p> <p>The TCAT Annual Report was noted as received and taken as read.</p> <p>Trustees requested the following amendments:</p> <p>Page 2 Steve Broomhead required the letter head to be adjusted to include his MBE.</p> <p>Page 3 Capacity had been broken down; however, the total needed to have a column.</p> <p>Page 7 relating to the laptop provision for students, the Trust had won an award which should be included.</p> <p>There were a few minor errors that would be sent through for correction.</p> <p>Trustees sought clarification on the Method of Recruitment section detailed on page 3 regarding the maximum number of Board members permitted.</p> <p>Post Meeting</p> <p>The Clerk confirmed that the TCAT Articles of Association state that: <i>The number of Trustees shall be not less than three and shall not be subject to any maximum.</i></p> <p>Trustees noted that there had been a lot of work on individual hubs and questioned whether it was possible to list the 29 hubs rather than providing examples.</p> <p>This was possible, DM would update that section.</p> <p>AM advised that the information was available in the Communications Strategy document.</p>



c) External Auditor's Highlight Report

The Audit Completion Report was circulated prior to the meeting.

A brief overview of the key points was provided:

- The team had been able to conduct onsite audits.
- Both interim and final visits had been carried out.
- The team had been well prepared and had uploaded information prior to the visit and were therefore able to make the best of both remote and in person work.
- The report made it clearer that all duties had been carried out and should provide better clarity for the SFA.

- From page 3 the main risks identified at planning stage were listed with confirmation of how those had been addressed.
- Minor risks were also covered during visits.
- From Page 8 the financial highlights were presented; turnover for the year had reached £50,000,000 which represented a growth over that last few years.
- The accounting deficit had improved in each of the last two years and was £1.2million after depreciation and a non-cash charge from the Local Government Pension Scheme (LGPS).

Trustees requested clarification on why buildings were depreciated in the accounts.

It was a legal requirement that buildings be depreciated to recognise the use of the buildings. The management and cash figures provided by DM provided a clearer overview of the performance of the organisation.

- Page 9 showed the balance sheet.
- Cash demonstrated a good performance and was up to £8.2million, from £6.7million.
- A key indicator of improvement were the net current assets which had risen to £3.4million, from £2million.
- There had been a negative increase in the pension fund liability from £14million to £21million.

Trustees questioned whether assumptions on inflation underpinned the increased pension fund liability.

Inflation would play a part; however, interest rates would have the biggest impact. As inflation increased the Bank of England would increase base rates, it was possible that in the next few years this liability could decrease.

There were also court cases that had impacted on the valuation.

DM advised that the DfE had agreed to underwrite the pension scheme.

MB clarified that the DfE would pay the liability if the Trust could not, and this did therefore need to be detailed.

When the pensions are revalued every few years the rate paid into the fund can change; that is where the liability can become relevant.

There is a future cost beyond retirement for employees in addition to the immediate cost.

This would not, however, affect the viability of the organisation.

DM added that Cheshire Pension have risk assessed all members and academies are deemed lower risk which keeps the employer rate down.

Trustees questioned whether there would be notice provided if additional contributions were requested.



	<p>A meeting would be requested before the revised rates were sent out. Any additional funding requests would be communicated six months before the end of the financial year. The last time contributions were increased it was by 0.5%.</p> <p>Trustees questioned what the employer's contribution was. DM advised that it varied between the Academies. The highest contribution was 26%. The contributions had not been brought together into a Trust wide plan and would remain separate to avoid increasing the rate across the Trust.</p> <p>Trustees challenged the response, questioning whether as a single organisation there was a risk that the contribution would be levelled. This was not a risk; contribution levels were managed by academy and would only be levelled if the Trust elected to bring them together to have a level rate.</p> <ul style="list-style-type: none"> • Cash flow was informative and demonstrated how the £1.2million deficit translated to £1.6million of cash generated by the operations. • The capital spend in the year was funded by grant income and the Trust had therefore retained most of the £1.6million of cash generation. • Some of the surplus this year related to the additional funding received as a result of COVID-19, and the Trust carrying out COVID-19 related activities economically. • There may be a similar situation for 2021 but once things return to normal the cash surplus may not be as high. • On Page 12 the report concluded that there were no internal control recommendations this year. • In 2020 improvements were needed to the timetable to improve preparations for this meeting and that had been done very well. • The structuring of the finance team had improved and delegation was improving. • The unadjusted statements were set out on Page 13; there were a small number of minor matters and DM had adjusted the accounts and there should be no potential adjustments to be reported. • The areas to communicate with trustees were highlighted on page 16. • Financial statements were up to 60 pages and clean reports had been signed off on those. • The cash balance liquidity reserves carried forward had been building, the report provided a clean bill of health and included comments around improved structures and delegation. • There had been a significant improvement this year. <p>DM advised the board that Note 15 provided information regarding the underlying position.</p>
<p>8</p>	<p>Risk Management Plan AM presented the Risk Management Plan to the Committee. There were no significant changes to the Risk Management Plan that had been supplied to the Trust Board at the start of the year. Potential changes related to increasing risk levels had been discussed at the Trust Board meeting but there had been no changes.</p> <p><i>COVID-19</i></p>



Academies had been impacted significantly by COVID-19 with increasing rates of absence amongst students.
Partial closures were under consideration should there be a worsening of the situation. COVID-19 remained a 3, and continued to be a high risk in relation to the potential for disruption of the daily running of academies.

Negative Press

This remained a 2.

There had not been any negative press coverage for the Trust.

Student numbers

This remained a 2, there continued to be pressure on Penketh High School.

Penketh were still working with ESFA to obtain additional in year funding in order to meet growing demand for places at the school.

There was potential for continued risk for the next academic year: should the growth in demand for places continue then students accepted to the school during this academic year would not be funded next academic year due to lagged funding.

Health and Safety

Work on health and Safety had started earlier in the year and was being dealt with by AL.

Utilities

The Trust had not been affected by utility company collapses this would continue to be monitored.

Industrial action

There continued to be potential for industrial action to be taken regarding the national pay agreements which were under negotiation.

Any action would be a National issue rather than Trust specific the situation would continue to be monitored.

Trustees commented that the COVID-19 continued to impact on the organisation and questioned how identified further actions were monitored.

There was ongoing review, the document was not always annotated but actions were monitored and reviewed regularly.

Trustees noted that there was a risk that was identified as a 4 and requested further clarification on that issue.

This related to specific risk around the building at Penketh High School. Parts of the building had been removed from use due to a lack of need; however, increasing pupil numbers required more of the building to be used.

Funds therefore needed to be spent to improve those facilities. £1000,000 had been allocated to spend on the building; however, a meeting with the buildings department of the ESFA was awaited.

It was difficult to make decisions regarding the building at present as some of the issues are outside of Trust control, and it was consequently a high risk.

Trustees requested further information regarding the Priestley College capital funding bids.

The bids had been refused. Priestley had identified a sum to invest in the building; however, the refusal of the bids meant that Priestley needed to review their strategy around estates development.



9	Any other business NC advised that the follow up report had been updated and sent to DM and AL in July. The document would be resent.
10	Proposed future meeting dates The date of the next meeting of the Audit and Risk committee was agreed for the 10 th March 2022 at 4.30pm.

The meeting closed at 5:28pm