

Meeting	MAT Risk, Audit and Compliance Committee	Date	Monday, 11 th January 2021
Location	Virtual Meeting via Microsoft Teams	Time	3.15 p.m.
Membership of the RAC Committee	Peter Goldsack (Chair), Peter Troke (PT)		
In Attendance	Tammy Mitchell (CEO), Chris Legg (CFO), Sharon Hollingsworth (DoG), Claire Edgeworth (CE) - Notetaker Guest: Duncan Cochrane-Dyett (DCD) - Auditor McIntyre Hudson for Agenda items 5 & 6 only		

	ITEM	COMMENTS	ACTION
1	Welcome and apologies for absence	The Chair welcomed everyone to the meeting and noted there were no apologies for absence. It was noted that Summer Macer had resigned as a Trustee and therefore her membership of the RAC Committee has ceased.	
2	Declarations of Interest	PT declared he has been asked to become a Governor at St Nicholas at Wade Primary School.	
3	Minutes of the meeting held 17 th November 2020.	Everyone had received the minutes from the last RAC Committee meeting, and the Committee agreed these were an accurate record. The remote e-signing of the minutes will be undertaken by the Chair following the meeting.	
4	Matters Arising not covered by this agenda:	There were no matters arising that are not covered by the agenda.	
5	Development session for Committee Trustees	[DCD joined the meeting at 3.05 p.m.] DCD delivered a comprehensive development session to the Committee around the Academies Financial Handbook. The presentation slides will be circulated following the meeting.	

	<p>It was acknowledged that the Trustees had different levels of knowledge and experience. DCD suggested that all the Trustees should read the Academies Financial Handbook (AFH) as this forms the overarching framework for implementation of effective financial management and control of the organisation. The AFH is updated every year and it is located on the Education & Skills Funding Agency (ESFA) website. DCD explained that the ESFA produces the handbook so that they can be confident the funds are being used in line with government requirements. Academy trusts must comply with the handbook as a condition of their funding agreement.</p> <p>DCD highlighted the following key points from the AFH;</p> <p>There is a list of ‘musts’ which are obligatory and are required as part of the funding agreement. These include – Board must meet at least three times per year; Management accounts must be shared with the Chair monthly and with other Trustees six times per year.</p> <p>The ESFA require the Trustees to take full ownership of the financial sustainability and Trust’s ability to operate as a going concern. Trustees should ensure that they have the relevant financial information required to enable them to fulfil their responsibilities. Trustees may delegate internal scrutiny of the financial information to an appointed Finance Committee. There is a role for Members as part of the governing checks. Members are required to oversee that the Board of Trustees are functioning as they should and can step in if necessary. There must be a Clerk to the Board of Trustees and the role of the Clerk is to provide a reference point and to advise the Trustees.</p> <p>The Register of Interests must always be kept up to date and the level of approval must be appropriate. The Register needs to be updated throughout the year.</p> <p>The Accounting Officer and Chief Financial Officer should be employees and the Trust must obtain ESFA approval if appointing an Accounting Officer or Chief Financial</p>	
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		<p>Officer (CFO) who is not an employee and must assess that the CFO has the relevant qualifications/skills. The AFH provides guidance on this.</p> <p>The following are the key 'musts' from the AFH - Trust must maintain a Fixed Asset Register; Trust must review pupil numbers estimates on a termly basis; Trust must manage cash position and avoid overdrawn bank accounts; Trust must have a Whistleblowing Policy and publish on the website; Trust must not use money to purchase alcohol.</p> <p>DCD referred to the need for a Risk Register and advised that the Register can be compiled in a couple of ways – the best ones are short and pick out key risks that are applicable and must be reviewed annually and cover financial as well as operational risk. There is guidance for internal scrutiny in the AFH and there is underlining guidance that it must be appropriate to size of Trust but is a useful tool to look at whether internal controls have been applied and other risks been addressed and Trustees can devise an internal scrutiny plan.</p> <p>DCD advised that the two major tools for Trustees are the Internal Scrutiny Report and the report from the external Auditor.</p> <p>DCD advised that McIntyre Hudson will send relevant updates to the Trust throughout the year, as necessary.</p> <p>The Chair thanks DCD for the thorough development session.</p>	
6	Trustees Report and Financial Statements for year ended 31 August 2020	<p>The draft Financial Statements had been circulated to Trustees prior to the meeting. DCD advised that the Audit had been completed and there are just a few areas that need updating but the numbers contained within the Statements are the same as in the final accounts.</p>	

	<p>Overall, the Trust has done well, and accuracy of financial reporting is good. Although there are regulatory and control findings, as a Trust in their first year there are not that many, and DCD felt that the Trust has done well to bring it to this point in their first year. There are no red flags but a few points to work on and monitor but there are no fundamental issues with internal controls and governance and this is a good foundation to build on.</p> <p>DCD presented the year-end accounts and advised that the first part looks at Trustee and Governance processes and what has happened in the year. The second part is the Auditors report and the main financial statements that includes statement of income and expenditure, balance sheet (total of assets and liabilities) and then cash flow forecast.</p> <p>The total income is £14.8m and £11.5m is from the schools coming into the Academy Trust and this is treated in the accounts as a donation. This is the net asset as they come into the Trust and this is allocated to individual funds. The operating expenditure of the organisation is £3.5m. Over a period of time these figures should be about the same and not overspent. Currently there is £11.3m total net income after expenditure and there is a figure of £201,000 which is the defined pension scheme. At the bottom of the income and expenditure sheet is the total funds.</p> <p>On the balance sheet there is £11.093m total assets. The top half shows the statement of assets and liabilities and bottom half is taking all the figures and allocating to individual funds and then the finance team have to account for each individual fund throughout the year. The £11m is allocated to funds however DCD advised that when looking at the financials, Trustees should focus on what is happening with the individual funds. The balance sheet gives a snapshot of the funds. There are restricted and unrestricted funds. The largest restricted fund is £13.5m and this is tangible fixed assets but there are also capital grants that have not yet been spent, this includes all the buildings and land on conversion and fixed asset additions. Restricted income is</p>	
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		<p>a general restricted reserve, £800,000 and there is a pension reserve which is - £3million. The pension fund is the share of the local pension scheme and results in the deficit of £3million. This is the future balance of all the pensions for current staff and employee's vs the assets to fund it. The £3million that the Trust might have to fund is an actuarial calculation and it is particularly pessimistic due to Covid and the effect on the current economic climate. When the economy improves it will be reduced. The funding of the pension deficit can only be done by increasing contributions of the staff members. If this was required, the Trust would receive corresponding funding to enable the Trust to achieve this. DCD advised that due to all these reasons, this is not a concern for the Trustees.</p> <p>DCD noted that after the fixed asset figure and negative defined pension scheme figure have been taken off, everything else is working capital. This includes debtors, creditors and cash in the bank, and they are represented by unrestricted funds of £809,000 and unrestricted funds of -£245,000. DCD advised that these are the figures that the Trustees need to look at as it is indicative of the financial health of the organisation.</p> <p>Trustees should then look at the cashflow. The cash is provided by operating activities and the Trust is in a good position and there is a small surplus and is being used for the purposed intended.</p> <p>DCD advised that in future years, the income and expenditure statement will be of more value.</p> <p>The Trustees queried that they were under the impression that we would only pay the pension deficit figure if the Government could not pay it. DCD advised the Trust is responsible for paying it, but the Government do offer a guarantee that if we did have to pay increased contributions, they would fund this. The CEO noted that if the Trust had to find £3m we would not be able to pay this, so the Government would have to</p>	
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	<p>Audit Findings Management Letter</p>	<p>find a way to get this money paid. DCD advised it has been ring-fenced so it will not change how the other funds are working.</p> <p>The Trustees queried that the pension adjustment is missing in the accounts. DCD advised that these figures will be updated. The Audit Findings Management Letter will form the conclusion/audit findings, and this will be included therein. DCD shared with the Trustees the Audit Findings Management Letter.</p> <p>DCD went through the regulatory issues for the period up to August 2020 with the Trustees. The Chair queried what classifies high, medium or low risk. DCD advised that high priority is looked at as a fundamental weakness and that there are no crystal-clear crossover but they have whistleblowing obligations with ESFA who receive a copy of the report.</p> <p>Regulatory Issues:</p> <ul style="list-style-type: none"> • Monthly debtors and creditors reports are checked and documented to make sure it is being looked at. This was classed as medium. • Financial Management Accounts – The Trust must prepare monthly management accounts and shared with the Trustees every month and then every couple of months to the wider Trustees. This was classified as medium but has since been resolved. <p>Internal Control Weakness:</p> <ul style="list-style-type: none"> • Reconciling Purchase Ledgers. This was classed as medium but has been resolved. • Invoice from EKC Group was outstanding. This was classed as medium, but the invoice has since been paid. • VAT over claim. This was classed as low. <p>DCD advised that in terms of the early stage of the Trust, it is in a good position.</p>	
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		<p>The CFO thanked the Auditors for helping the Trust through their first external audit.</p> <p>The deadline for the Financial Statements to be submitted is the 31st January 2021. The CFO will update the Financial Statements once the Auditors approve, the CFO will send to the CEO and Chair of the Trustees to sign. DCD confirmed that e-signatures are acceptable.</p> <p>The Chair thanked DCD and his team and DCD left the meeting 16.07.</p> <p>The Chair queried with the CFO if the points raised from the findings report were applicable to EKC Group and the CFO advised that three of the points are systematic and relate to the EKC Group finance service.</p> <p>The CFO advised that the review of debtors and credits was already happening but review was not formally documented so could not satisfy the evidence required for the audit.</p> <p>The CFO noted that Management Accounts had been produced since June but the Auditors were looking prior to this period. The DoG is now receiving the monthly management accounts from the CFO for onward submission to Trustees so this issue will not reoccur.</p> <p>The CFO advised that the Group had latterly changed how they were going to deal with the EKC Group financial contribution through raising an invoice rather than a cost transfer going the other way, so the invoice had not been raised at the time of the audit but had since been actioned. This was a one off and nothing changed but the Auditor required the evidence to say it had been done.</p>	<p>CFO to send Financial Statement to TM & JC for signature and submit by 31.01.21</p>
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7	ESFA Financial Management and Governance Review update	<p>The CEO advised that the actual audit took place on 1st December and was a one day formal review process. The evidence to support the audit had been submitted by the Trust and reviewed beforehand by the ESFA. There was a lot of documentation and evidence requested and the Chair of the Trustees was also sent a set of questions to respond to. Following the review of the information that had been submitted, the Auditor sent round a further set of questions and then the CEO and CFO were interviewed.</p> <p>The CEO has received verbal feedback and there was only one action. The Auditor had requested information on how the Trust recruited Senior staff and this was provided, however it appears he meant how was the CEO/Executive recruited and by the time this came to light, it was marked as an action. There were two recommendations, but these have already been addressed and this has been confirmed to the Auditor and we have the green light from the ESFA.</p> <p>The Auditor reported that we are in a strong position and it is exceptional given Covid.</p> <p>The findings from the audit came via a portal and cannot be downloaded. The CEO has requested a copy that can be downloaded and when this received this will be shared with the Trustees.</p>	<p>CEO to share ESFA Audit report when received.</p>

8	MAT Risk Register	The Chair agreed to carry the MAT Risk Register over to the next meeting due to the meeting starting slightly later than planned due to technical issues.	CEO - Risk Register to be carried over to next meeting.
9	Draft Internal Audit Plan	<p>The CFO advised that the plan for the Internal Audit had been to respond to the ESFA Audit findings and to ask William Giles, Internal Auditors to follow up the recommendations. However as there are limited findings, the CFO suggested that the Committee considers other items to include in the Plan. The Trustees agreed to look at internal financial controls from the internal audit and the CEO felt this would reassure the Trustees. Suggestions were also put forward that there might be some control around the Risk Register and the budgeting process to make sure we get this right.</p> <p>The CFO will contact William Giles to discuss the scheme of work and ask them to quote and advise how many days will be needed. The Committee can then finalise how they wish to proceed. The DoG will circulate the quote when received from the CFO.</p> <p style="text-align: center;">NOTED: The Draft Internal Audit Plan</p>	CFO to contact William Giles.
10	Annual Gift & Hospitality Register	<p>The DoG presented the Annual Gift & Hospitality Register. There were no entries for the period 1st March 2020 – 31 August 2020.</p> <p style="text-align: center;">NOTED: The Annual Gift & Hospitality Register – Nil Return</p>	
11	Any Other Business	A booklet was circulated to the schools on the Benefits of the Trust. PT requested a copy and the CEO agreed to send this following the meeting.	CEO to send booklet to PT.

		A new Trustee is being appointed and it is proposed that they will join the Finance Committee. There is still a vacancy on the RAC Committee. There is one Trust Board vacancy and PT offered to discuss this with an acquaintance who may be interested.	
12	Matters considered confidential	There were no matters considered confidential.	
13	Date and time of next meeting	26 th March 2021 at 11 a.m.	

There being no further business the meeting closed at 16.27.

Approved Minutes

Remote approval received from the Chair by e-mail on 2nd April 2021

Print: Peter Goldsack Date: 2nd April 2021