



## MINUTES OF THE AUDIT COMMITTEE MEETING HELD 19 NOVEMBER 2019

- Present: Mr Stephen Hewes (Chair)  
Mr Gerard Weide
- In Attendance: Ms Kim Saw - Director of Finance  
Mr Jon Allen - Clerk  
Ms Zoe Longstaff-Tyrrel - RSM (Financial Auditor)  
Mr Chris Harris - MacIntyre Hudson (Internal Auditor)  
Mr Sagar Patel - Risk Champion  
Mr Chris Whelan - Chief Executive, Reigate LA

The meeting commenced at 1700.

### WELCOME, APOLOGIES & DECLARATIONS OF INTEREST

1 The Chair welcomed everyone to the meeting and, in particular, Mr Chris Harris from MacIntyre Hudson (Internal Audit Service), who was attending his first meeting. There were no apologies. There were no declared interests against any of the agenda items.

### MINUTES

2. It was **RESOLVED** to note the minutes of the Audit Committee meeting held 10 June 2019.

### SUMMARY ACTION LIST & MATTERS ARISING

3. The 'Summary Action List' was received and reported on the following action points from the previous meeting:

| MIN REF | ACTION POINT  | UPDATE MADE AVAILABLE TO THE MEETING |
|---------|---|--------------------------------------|
| 17      | Internal Audit Programme 2019-20 to be an agenda item at the autumn meeting of the Committee  | Agenda item at this meeting          |
| 21      | The Committee agreed that further information was required in each report to enable Governors/trustees to form an assurance assessment. It was <b>AGREED</b> to capture the purpose and linkage of content to the BAF for assurance purposes in all future Board and committee reports. | Agenda item at this meeting          |
| 22      | Trustees <b>AGREED</b> the Risk Register should be a standing agenda item at all meetings. The Clerk confirmed the following framework. At the November meeting to receive  | Agenda item at this meeting          |

|    |   |  |
|----|---|--|
|    | the Risk Management Policy, the Board Assurance Framework and the Risk Register for the academic year ahead. At the spring and summer term meetings, to review the Risk Register as well receiving the Board Assurance assessments from the Committees. |  |
| 23 | Members of the Trust at the Members meeting on 4 July 2019 to approve the appointment of RSM to be the College's external audit service and MacIntyre Hudson to be the College's internal audit service for the academic year 2019-20.                  | Members approved the appointment                           |
| 24 | To formalise the annual review of the auditors within an agreed framework and for the Clerk to draft such a framework for the Committee to review and approve.  | To be an agenda item at the March meeting of the Committee |

4. There were no other matters arising.

#### **FINANCIAL STATEMENTS YEAR ENDED 31 AUGUST 2019 REIGATE LEARNING ALLIANCE**

5. As required by the Joint Audit Code of Practice, a copy of the Trust's draft '*Financial Statement and Annual Report 2018/19*' was made available along with the '*Audit Findings Report Year ended 31 August 2019*' and the '*Letter of Representation*'.

6. Ms Zoe Longstaff-Tyrrel from RSM was in attendance to present the audit report for this agenda item.

7. The agreed process for reviewing and approving the Financial Statements requires the Finance & Resources Committee, in the first instance, to review the financial information and commentary in the year-end accounts and, once reviewed, to inform the Audit Committee of the outcomes of their review. The Audit Committee will then consider the outcomes of the review conducted by the Finance & Resources Committee, and to consider all audit and assurance opinions received on the adequacy of the operation of financial and other controls before making any final approval recommendations to the Trust Board regarding the accounts.

8. The Clerk confirmed that the Finance & Resources Committee carried out a review of the commentary and financial information at its meeting, held on 12 November 2019, and no issues of concern were to be brought to the attention of the Audit Committee.

9. The Financial Statement Auditor is required to issue two audit opinions, either 'unqualified' (good); or 'qualified' (not good):

- An opinion on the financial statements;
- An opinion on the regularity of financial transactions.

10. The financial statement auditor confirmed they will issue an unqualified opinion on the 2018/19 accounts. The auditors also confirmed the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

- Have been prepared in accordance with the requirements of the Companies Act 2006; and
- Have been prepared in accordance with the Academies Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency.

11. The report confirmed an unqualified regularity audit opinion for 2018/19.

12. During the review of the Financial Statements it was **AGREED**:

- (i) To receive clarification on the student numbers listed in the table on Page 7; and
- (ii) In the KPI section on page 7, to insert the post depreciation figure; and
- (iii) To make various edit changes (not material) to the text that were brought to the attention of the Director of Finance.

13. The '*Audit Findings Report*' reported that during the year the Academy Trust spent £774 on alcohol. The ESFA is of the view that any expenditure on alcohol should not be permitted and for this reason the auditors had to report on this expenditure. It was explained that the £774 covered the costs of all drinks, including soft drinks, at the staff Christmas party. Having noted the new guidance from the ESFA, the Chief Executive Officer confirmed there was no expenditure made on alcohol at the staff summer party and that there will be no future expenditure on alcohol.

14. The '*Audit Findings Report*' raised two internal control issues regarding the financial statements, with no internal control issues identified on the regularity of financial transactions.

15. The first internal control issue brought to the attention of the Audit Committee was of the need to update the Academy Trust's Procurement Policy to allow the use of preferred contactors where this presents the best value for money. Where this decision is taken it should be agreed and documented by the Chief Executive Officer and Finance Director. It was confirmed the policy has since been updated and was approved by the Trust Board at its meeting in October.

16. Upon review of the Academy Trust's Financial Regulations Policy it was noted that there was no delegated authorities policy. The Academy Trust has autonomy over financial transactions arising in the normal course of business. However, some transactions have delegated authority limits beyond which trusts must obtain prior ESFA approval. The recommendation is for the Financial Regulations Policy to be expanded to include identification of those transactions which require ESFA consent and the relevant ESFA consent requirements, as per the Academies Financial Handbook. Management confirmed their acceptance of the recommendation and have set a target date of March 2020 for completion. The Clerk informed the meeting that he is currently drafting Standing Orders for the Trust Board to approve at its December meeting and within the Standing Orders will be an appendix outlining the 'must' requirements from the Academies Handbook, including where ESFA approval is required.

17. It was **RESOLVED** to recommend that the Trust Board, at its meeting on 3 December 2019, approves the '*Financial Statements Year Ended 31 August 2019*'; and approves both the '*Audit Findings Report Year ended 31 August 2019*' and the '*Letters of Representation*' issued by the Financial Statement Auditor.

18. Also made available for information purposes was the RSM publication on academy arrangements for internal scrutiny. Following the publication of the revised Academies Financial Handbook, significant changes have been made to enhance

governance, risk management and assurance processes and these were outlined in detail in the publication from RSM. The Committee asked if there were any concerns arising from the new requirements and assurances were given that the College's governance, risk management and assurance frameworks were fully compliant with the new requirements outlined in the Academies Financial Handbook.

19. The Chair thanked Ms Zoe Longstaff-Tyrrel who left the meeting at the conclusion of this agenda item.

### **SCOPE OF THE INTERNAL AUDIT WORK 2019/20 REIGATE LEARNING ALLIANCE**

20. Mr Chris Harris from MacIntyre Hudson was in attendance to present the proposed scope of the internal audit report for 2019/20.

21. The following areas were proposed and **APPROVED** for audit during 2019/20.

|                             |   |   |
|-----------------------------|---|---|
| Data Quality and Curriculum | Funding Audit (ESFA Approach)                   | An audit of the College's ILR in relation to the requirements of and compliance with the requirements of the funding agencies, including a review of the application of the Data Self Assessment Toolkit (DSAT).<br><br>This review will use audit technology to identify potential exceptions enabling more targeted testing and will seek to replicate the audit approach that would be undertaken by the funding agency. |
| Financial Viability         | Key Financial Controls – Central Nominal Ledger | To assess the adequacy and effectiveness of controls in respect of the Central Nominal Ledger. This includes a review of the user restrictions, journals approvals processes, maintenance of the chart of accounts, and a review of the month end procedures and reconciliations.   |

22. It was agreed to arrange an internal audit review of the Trust's Risk Management and Board Assurance Framework in the audit plan for 2020/21.

23. The Chair thanked Mr Chris Harris who left the meeting at the conclusion of this agenda item.

### **AUDIT PROGRESS CHECK**

24. The report '*Audit Progress Check*' on previous audit action points was received. The report provided an update on the implementation of agreed management responses. Also made available was an addendum to Audit Progress that was prepared by MacIntyre Hudson at their latest visit in January 19.

25. A discussion took place on the audit action point relating to the 2017/18 Support Funded Learners. It was reported the College has yet to be informed of the outcome of this initiative. The Director of Finance confirmed she discussed High Needs places with the Senior Commissioning Manager, Surrey County Council, in October 2019, and the outcome of the meeting was that they are happy to continue Element 3 Funding on the current basis. The Chair asked for this update to be recorded against the action point to enable the action point to be 'closed off'.

26. It was **RESOLVED** to note the reports.

### **SCHOOL RESOURCE MANAGEMENT SELF-ASSESSMENT CHECKLIST**

27. The completion of the checklist is a new mandatory requirement of the funding agency (ESFA). The checklist asks a number of questions in six areas of resource management to help provide assurances that resources are being managed effectively.

28. It was confirmed of the 37 checklist questions, 6 had a 'No' assessment recorded, The Committee were assured on the actions being taken to confirm a positive assessment for each of the 6 questions.

29. It was **RESOLVED** to note the checklist.

### **AUDIT COMMITTEE'S ANNUAL REPORT 2018-19**

30. The draft '*Annual Report 2018-19 from the Audit Committee*' was received. There is a requirement for an annual report of the Audit Committee to be issued to both the Board and the Chief Executive Officer as the Accounting Officer of the Trust. The annual report should be used as a summary document explaining the work of the Committee during the course of the year.

31. During the review, several amendments were proposed to the text with additional text to be added to the report.

32. The Annual Report must offer an opinion from the Audit Committee to both the Board and Chief Executive. The Audit Committee agreed the following opinion:

*The Audit Committee, through review of auditors' reports and discussion with auditors and college managers, has arrived at the opinion that Reigate Learning Alliance had adequate and effective assurance frameworks, framework of governance, risk management and control processes for the effective use of resources, solvency of the institution and the safeguarding of its assets.*

*The Audit Committee recommends the Trust Board approves the Annual Report and Financial Statements for the period ended 31 August 2019 for Reigate Learning Alliance and to authorise the Chief Accounting officer/Chief Executive and the Chair of the Trust Board to sign the Financial Statements.*

### **REVIEW OF BOARD ASSURANCE FRAMEWORK**

33. The Clerk reported on the completion of his review of the Governance Oversight and assurance assessments conducted from January 2019 to July 2019 to identify any assurance gaps in the Board Assurance Framework. The review confirmed four areas that had yet to be subject to an assurance review, these being:

- Disaster Recovery Plans
- Health & Safety
- Review of Contracts
- Performance Management & Appraisal

34. To address the gaps the following actions were **AGREED**:

| <b>Assurance Gap</b>               | <b>Actions to Address</b>  |
|------------------------------------|--|
| Disaster Recovery Plans            | A range of policies are in place - Major Incident Policy, IT Disaster Policy. It was agreed to receive at the March Audit Committee meeting each year a summary of the policies in place, when they were last subject to review or testing, and if any issues or incidents have arisen in the period.  |
| Health & Safety                    | A Health & Safety Policy is in place. The Trust Board to receive an annual Health & Safety Report to confirm an annual review of the policy has taken place with confirmation of any material changes made to the policy. In addition, the Trust Board to receive through the annual report notification of the number of accidents reported including any RIDDOR instances, and the actions taken to address any issues arising from reported accidents.            |
| Review of Contracts                | It was reported this review was performed by the Management Committee when the College was a 6 <sup>th</sup> form college, and it is confirmed in the School Resource Management return to the DfE that this will be re-instated. The College holds a list of all contracts and the proposal is for the Finance & Resources Committee to review this list each term, concentrating on the renewals coming up in the following 3 months (or time until next meeting). |
| Performance Management & Appraisal | The CEO report (fixed agenda item at all Trust Board meetings) to be used to give updates on staff numbers in capability, disciplinary, dismissal, and number of appraisals completed/outstanding.<br><br>The Trust Board Chair is to report to the Trust Board on outcomes of the annual appraisal of Chief Executive Officer and Principal.  |

35. The Audit Committee was assured with the actions proposed to address the identified assurance gaps in the BAF. The Committee agreed that none of the gaps were considered to be 'material' to impact in any negative way on the annual opinion from the Audit Committee on the Board Assurance Framework, Risk Management and control processes.

36. In addition, the following was agreed to further enhance existing reporting arrangements in the BAF:

| <b>Operational Strand in the BAF</b> | <b>Actions to enhance existing reporting arrangements in the BAF</b>  |
|--------------------------------------|---|
| ILR; Learner Numbers; student data   | Existing assurance arrangements is through ILR audits undertaken by the Internal Audit Service, but such an audit is not a yearly occurrence. To provide assurances each year, it was agreed for the Finance & Resources Committee to receive at its spring meeting a reconciliation report comparing the Allocation Statement against the autumn term enumeration figures. |

|                                 |   |
|---------------------------------|---|
| Equality & Diversity            | To include the publication on the College website a report on gender equality pay |
| Financial Policies e.g. Tuition | To amend the title to read 'Financial Policies e.g. Charging Policy'.             |

37. Following the review of the coverage of governance oversight and sources of assurance, it was **AGREED** for the Clerk to revise the BAF for 2019-20 so that it reflects more accurately the scheduling of business conducted during 2018-19 in addition to the points noted above.

### **BOARD ASSURANCE FRAMEWORK, RISK REGISTER, AND RISK MANAGEMENT ACTION PLAN 2019-2020**

38. The Clerk and Risk Champion introduced the report that proposed the '*Board Assurance Framework, Risk Register, and Risk Management Plan for 2019-20*' for the Trust Board to approve at its December meeting.

39. Following review, the following changes to the policy were **AGREED** to further strengthen the Board Assurance & Risk Management Process for the current year:

- (i) Board and Committee reports to contain brief explanation of the purpose of the report, its link to Corporate Objective or BAF/Strategic risk, along with reference to any statutory or compliance regulations.
- (ii) Assurance assessments to continue to be made at the end of each Committee meeting, at which point a broader view of assurances and any newly emerging risks may be considered.
- (iii) The Risk Register to be a standing agenda item at all meetings of the Audit Committee. At the November meeting to receive the Risk Management Policy, the Board Assurance Framework and the Risk Register for the academic year ahead. At the spring and summer term meetings, to review the Risk Register as well as receiving the Board Assurance assessments from the Committees.
- (iv) The BAF and Risk Register to be made available for information purposes at each meeting of the Trust Board.
- (v) The Audit Committee to conduct an annual review of the Board Assurance Framework to identify any coverage gaps on the governance oversight section of the BAF.

40. Following review of the Risk Register, the following changes were **AGREED**:

- (i) To delete risk 13 - '*Failure to maintain and develop the benefits of the Academisation*' - as this is covered in Risk 7 - '*Failure to produce and implement a strategic plan that effectively addresses the range of changing external challenges*';
- (ii) To re-word Risk 15 to read '*Risk of an Ofsted inspection having an adverse effect on the reputation of the College*' and to reduce the risk score to 8 (Impact '2'; Likelihood '4')
- (iii) To recognise the reduced risk of inadequate student numbers as a result of the changing demographics and to reduce the risk score to 8 (Impact '4'; Likelihood '2')
- (iv) To amend Table 1 - 'Rating Likelihood so that the text in the frequency column is in line with the figures in the percentage column.

41. Following review, it was **AGREED** to recommend that the Trust Board at its meeting on 3 December 2019 be asked to approve the 'Board Assurance Framework, Risk Register, and Risk Management Plan for 2019-20'

42. The Chair placed on record thanks to the Clerk, Risk Champion and the Executive on the work undertaken to draft the various Board Assurance Framework and Risk Management papers received at the meeting.

**BOARD ASSURANCE FRAMEWORK - ASSURANCE ASSESSMENT TO BE CONDUCTED BY THE COMMITTEE**

43. Under the Board Assurance Framework (BAF), each Committee is asked to conduct at the end of their meeting an assessment on their level of assurance agreed against each report received (including briefings and verbal updates), and for the assessment to be reported to the Audit Committee and Trust Board (The assessments being: Green = high assurance - no additional actions or monitoring are recommended at this point; Amber = medium assurance – a further report is likely to be required at the next meeting; Red = low assurance - additional actions are likely to be required and reported at the next meeting).

44. The following assessments were **AGREED** on reports considered at this meeting:

| Agenda item number | Paper number | Subject  | RAG Rating   | Any Committee Recommendation(s)  |
|--------------------|--------------|--|--------------|--|
| 6                  | 3            | Audit Progress Update                                  | <b>GREEN</b> | Minor recommendations proposed to close off one previous audit recommendation  |
| 7                  | 4a & 4b      | Scope of internal audit for 2019-20                    | <b>GREEN</b> | None   |
| 8(i)               | 5            | Financial Statements for the year ended 31 August 2019 | <b>GREEN</b> | Minor recommendations were made to the FS with the recommendation for the Trust Board to approve the year-end accounts                               |
| 8(ii)              | 6            | Audit Findings Report'                                 | <b>GREEN</b> | None   |
| 9                  | 8            | School Resource Management Self-Assessment Checklist   | <b>GREEN</b> | None   |
| 10                 | 9            | Audit Committee Annual Report                          | <b>GREEN</b> | Minor recommendations were made to the Annual Report with the recommendation for the Trust Board and Chief Accounting Officer to receive the report. |

|    |    |  |              |  |
|----|----|--|--------------|--|
| 11 | 10 | Review of Board Assurance Framework                        | <b>GREEN</b> | 4 assurance gaps identified but were not deemed to be sufficiently material to impact the BAF assessment         |
| 12 | 11 | Risk Management & Board Assurance Framework Policy 2019-20 | <b>GREEN</b> | Minor recommendations were made to the Policy with the recommendation for the Trust Board to approve the policy. |

**ANY OTHER BUSINESS**

45. There was no other business.

**DATE OF NEXT MEETING**

46. Tuesday 18 March 2019 @ 17.30.

The meeting closed at 19.00

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
 (Chair)