



HART SCHOOLS TRUST AUDIT & RISK COMMITTEE

A meeting of the HST Audit & Risk Committee was held on Wednesday 30 November 2022, starting at 16.00, by videoconference (Microsoft Teams).

PRESENT

Geoff Cleverdon (Chair/Trust Board member) Jonathan Ellam (Trust Board member)
Howard Crompton (LGB member) Andy Palmer (LGB member)

IN ATTENDANCE

Mark Lewis (Chief Executive) Kate Prince (HST Business Manager)
Paul Harte (Group Finance Director) Robert Dale (Governance Professional)
Andrew McLeod (HST Chief Financial
Officer)

ITEM 1a: APOLOGIES FOR ABSENCE

- None.

ITEM 1b: DECLARATIONS OF INTEREST

- Jonathan Ellam declared that he was working for HFL Education (formerly Herts for Learning) as a member of its Governance support team.

ITEM 1c: MINUTES OF THE PREVIOUS MEETING

- Minutes of the meeting held on 21 September 2022 were agreed as an accurate record and would be signed in due course.

ITEM 1d: MATTERS ARISING/ACTIONS

- Actions had been addressed as follows:
 - Approach the individuals suggested to ask if they might consider becoming Members of the Trust. **Action under way.** Three new appointments of Trustees have been made and two more candidates are being interviewed. A potential candidate for the Chair of the Roebuck LGB has also been identified. Revised Articles are currently with DfE for final approval.
 - Issue note to members concerning Risk Management training. **Action complete.** A note of the HFL Education offer was circulated on 23 September 2022 and Jonathan Ellam had participated. There are no more planned sessions in this academic year from this provider, but it was considered that a more advanced programme would be better for the Trust at its stage of development. An approach would be made to RSM to see what they could offer.

Action: Seek support from RSM for a session on Risk Management training.

- Advise the Trust Board of this recommendation [that no change be made to the Committee's Terms of Reference]. **Action complete.** Addressed at the HST Board meeting on 28 September 2022.

- Update the list of Trustees to remove Steve Marshman and amend Jonathan Ellam's biography. **Action complete.** The website has been updated.

ITEM 2: CORPORATE RISK REGISTER

- Two risks had been proposed for closure and one had been opened since the previous meeting. Risk 6 related to Buccaneers wrap-around provision at Roebuck, where there had been concern that the change in arrangements when the other primary school, had set up its own provision, coupled with the impact of the COVID-19 emergency, could put at risk the financial contribution made by Buccaneers. In the event, in 2021/22, there had been a better than expected outturn and although there had been a dip in attendance at the start of the autumn term, the position had picked up and the level of concern was considerably lower. The position would continue to be monitored but should no longer be a corporate level risk.
- Risk 10 related to the implementation of the new Management Information System (MIS) – Arbor. This had now been completed and had also gone through a transition from one academic year to the next. Although both schools were using it in slightly different ways (Roebuck had retained some of its existing parent communication and payment tools, while TAA was using it more fully) the implementation had been successful and was no longer considered a major risk.
- The new risk (Risk 12) concerned the potential for disruption arising from possible industrial action arising from the teachers pay claim. The result of the ballot was expected to be announced early in the New Year.

Question: *Was Arbor working well with parents?* Yes; 94% of TAA parents had signed up and the system was viewed by staff as an asset.

Question: *Had consideration been given to the increased emphasis to be placed next year by external auditors on information about access controls to financial systems, built in authorisations, physical controls on hardware?* The Trust recognised that more documentation would be needed and would consider adding another risk to the register.

Question: *Was the balance of risks on the register a reasonable one? There was a high proportion of risks classified as 'financial'; should external benchmarking be used to assess whether the current framework was appropriate?* Members noted that the college audit committee had discussed risk themes including what were referred to as 'Black Swan' risks – the unforeseen or 'unknown unknowns'. The Committee might wish to seek assurance that there was a process for picking up on such risks and addressing them quickly and flexibly.

- The Committee endorsed the closing of Risks 6 and 10 and the opening of Risk 12.
- **The Audit & Risk Committee accepted** the latest version of the Risk Register.

ITEM 3: P2 (OCTOBER 2022) MANAGEMENT ACCOUNTS REPORT

- The paper reported that the year-to-date (YTD) position was ahead of budget but expected to return to budget by the year end. This largely reflected the receipt of income before costs were incurred. Cashflow remained strong and indeed the Trust was able to support suppliers by making prompt and early payment of invoices.
- The paper included a reserves forecast for the 2022/23 year-end before consideration of capital investment plans. Three Capital Improvement Fund (CIF)

bids had been submitted and if all three were successful (highly unlikely) match funding of £90k would have to be allocated. The CIF bid process allocated extra points for Trust match funding contributions proportionate to reserves held.

Question: *The report referred to the purchase of iPads; the low cost was surprising. What were these and why was the expenditure called out?* The equipment was very basic, so inexpensive and was highlighted because it was linked to the spending of the COVID recovery grant.

Question: *Would the impact of recovery grant spending be reported?* There was more work to be done in this; local governing bodies would be expected to consider the impact of different elements of this expenditure. There was currently more confidence about the TAA records in this area

Action: Prepare report on how the COVID recovery grant had been spent in Trust schools including consideration of impact where possible.

Question: *How was the unfunded element of this year's teachers' pay award being covered?* Elements of supplementary grant funding had been held back to cover this. The reversal of the National Insurance increase had been helpful – although there were now suggestions that the January supplementary grant payment might be reduced to take account of this change.

Question: *How certain were utility cost forecasts?* The Biomass fuel cost was fixed until January 2023; information about gas and electricity costs would be available after 2 December 2022 and the position could be reviewed then. The energy supply contract was a bulk purchasing arrangement and two years notice of withdrawal needed to be given, limiting options for change.

Question: *What additional nominal codes were being considered for the accounting system?* A very small number of additional codes had been suggested by Buzzacott, and the team would add these during the year. It was noted that most would have a handful of entries during a given year – possibly as few as one. The proposed approach would be discussed with Buzzacott, who had already noted that their advice from last year had been very substantially adopted.

Question: *What would the impact of the loss of free banking be?* It was expected that being able to place cash in savings accounts with the Trust's bankers (Barclays) that attracted somewhat higher rates of interest would offset the forecast extra costs arising from the end of free banking.

- The Committee noted the attendance of governors at regular finance meetings at which the content of these reports was discussed.
- **The Audit & Risk Committee** welcomed the report.

ITEM 4: SAFEGUARDING AUDIT RECOMMENDATIONS – UPDATE

- Good progress had been made in addressing actions arising from the internal audit report on Safeguarding across the Trust. The remaining 'Amber' rated actions were longer-term ongoing activities that would take time to complete.
- The Committee was satisfied that this work was progressing as expected.

Question: *If a parent disagreed with a decision made by the school in respect of a safeguarding matter, what could they do?* In such a situation, a parent or carer would be directed to the school's Complaints Policy.

- **The Audit & Risk Committee accepted** the report.

ITEM 5: FRAUD AND WHISTLEBLOWING REPORT

- No cases of fraud had been identified and no instances of whistleblowing had been raised since the previous report. Staff were reminded periodically about the Trust's Whistleblowing Policy.
- A report from the independent investigation carried out by HFL Education (commissioned by Hertfordshire County Council following a request by Ofsted) in relation to the complaint received by Ofsted about TAA's approach to bullying and support for learners experiencing suicidal ideation had been received. This confirmed that the school had strong and effective processes to address bullying and provided considerable support for learner wellbeing needs. The CEO regretted that because the complainant to Ofsted had not authorised disclosure of details, the school was unable to identify or address any individual issues.
- The report would be available should Ofsted wish to consider it during a future inspection.
- **The Audit & Risk Committee accepted** the report.

ITEM 6: DRAFT AUDIT & RISK COMMITTEE ANNUAL REPORT 2021/22

- This was the regular annual report describing the activities of the Audit & Risk Committee during 2021/22, and including the Committee's opinion that the risk and control framework in 2021/22 was adequate and effective.

Question: *Would the membership of the Committee be refreshed in 2022/23?* Yes, that was the intention as a result of current Trustee recruitment activity.

Question: *Could the text in the final section of the report be adjusted to remove the phrase 'Except as noted above' because it implied that there had been at least one instance of Fraud during the year, which was not the case?* Yes, this would be amended before the report was circulated to the Board.

Action: Update the draft report as advised by the Committee.

- Subject to the proposed change, **the Audit & Risk Committee accepted** the report.

ITEM 7: DRAFT GOING CONCERN STATEMENT

- A key issue the Board would need to consider when reviewing the 2021/22 financial statements was whether these could be prepared on a 'going concern' basis – that is, whether the Trust could continue to meet its obligations as they fell due for at least twelve months after the signature of the statutory accounts. Trusts were expected to more closely scrutinise forecasts of revenue and costs to assess this, and the increased level of economic uncertainty needed to be taken into account.
- The paper set out factors that supported the view that the Trust remained a Going Concern, including a strong cash position and cashflow forecast for the succeeding

three years, a prudent budget for 2022/23 which had sought to make suitable provision for pay and non-pay cost inflation, reasonable certainty over pupil numbers from September 2023 which were expected to reach the Published Admission Number in both schools and the existence of a modest operational reserve.

- Members noted that the auditors had reviewed the draft Going Concern statement and had considered it to be a reasonable and fair assessment.
- **The Audit & Risk Committee recommended** the Going Concern statement to the Board.

Action: Advise the Trust Board of this recommendation.

ITEM 8: EXTERNAL AUDITORS POST-AUDIT REPORT (MANAGEMENT LETTER)

- Hugh Swainson from Buzzacott presented the outcome of the year-end audit, noting that it had gone smoothly and in line with the proposed timetable. He thanked Andrew McLeod in particular for support provided during the process.
- Key findings were that an unqualified opinion would be provided in respect of the financial statements and the Regularity report; no exceptions were identified as a result of the Teachers Pension Scheme audit. An operational surplus had been achieved for 2021/22 of £273k, which meant that the deficit on operational reserves carried forward from 2020/21 had been entirely removed and there was now a reserves surplus of £234k. Most academy trusts had managed to deliver surpluses in 2021/22 but the financial climate was becoming more difficult including higher energy costs and general inflation pressures increasing. This should be factored into consideration of the Going Concern principle, and Buzzacott noted that a detailed paper had been provided for the Committee; the auditors expressed no concerns about the conclusions reached in that report.
- The post audit report had considered the treatment of capital works during the year; there had been significant fire safety improvement at TAA and a successful Capital Improvement Fund (CIF) bid for roofing work – although this was not likely to be completed before 2022/23. The auditors were satisfied with the capitalisation treatment of these projects; the latter project was shown as a capital commitment.
- The auditors noted that a desktop valuation had been received from ESFA of the Trust's leasehold property. It had been confirmed with ESFA that it was not necessary to use these valuations in place of the valuations received from the local authority (the ESFA ones were lower). There were no indications that there had been any material impairment of the estate since the initial valuations had been made and so no change was proposed.
- The auditors were satisfied that funds were appropriately identified (eg capital funds had been appropriately set aside) and that any income potentially subject to clawback had also been accounted for. A small amount (£3,876) of funding for tutoring support was unspent and could be clawed back in due course. The report indicated that this was associated with Roebuck but in fact it related to TAA.

Action: Request a correction for the Post-audit Report.

- The Regularity self-assessment had been reviewed and was considered to be appropriately evidenced. There was also full disclosure of the issue associated with the related party transaction with the Hart Learning Group – the sponsor of the Trust –

which provided corporate services on the basis of a service level agreement. Recent Versions of the Academy Trust Handbook had required Trusts to seek prior written approval for such arrangements, which had been done. However, ESFA had not granted approval. No direction had been issued, however, and on the basis that the cost had been properly benchmarked and was not excessive; that service quality was considered to be strong, and that the Hart Learning Group Board had confirmed that these services were being provided at cost, the Trust considered that the arrangement (with another exempt charity providing public benefit services regulated by the same regulator) nevertheless represented value for money. This was fully explained in the Trustees report and the Notes to the Financial Statements as well as the Regularity statement.

- There had been a material improvement in the pension deficit year on year resulting from changes in actuarial assumptions (mainly as a result of an increase in the discount rate applied). This was a notional change, but members also noted that a Triennial valuation was currently under way which would affect employer contribution rates from April 2023. At present, it was not known whether this might result in an increase, decrease or no change.
- One recommendation from the auditors was to improve the granularity of reporting unrestricted income lines. At present, it was assumed that cost and income would net off, but this was just an assumption. This would be considered during 2023.

Action: Develop increased reporting of unrestricted income and costs.

- The report highlighted some changes in accounting standards that would affect the 2022/23 report. In particular, there would be increased requests for information about general IT controls, including physical access, built in authorisations etc. The auditors noted that their recommendation about increasing the number of nominal codes made in 2021 had been substantially adopted; they suggested that there was scope for a few more codes and would discuss this with the finance team.
- Adjustments made during the audit were highlighted – including a large adjustment relating to the pension fund – because information about this came in while the audit was in progress – and in respect of the recognition of supplementary grant. In general this should be recognised in the year to which it relates and carried forward if appropriate in reserves. This change had been made for TAA (because of the amount involved) but not for Roebuck (a smaller amount was affected). It simply increased the size of the reserve at the year-end.
- Information about ratios and comparisons year on year and with other Trusts showed that the position was much closer to the norm – with the exception of reserves, where there was room to increase.
- New cyber cover insurance arrangements through the RPA had been introduced.

Question: *Was there a time limit on spending capital funding?* Not in the case of CIF funds – which were attached to specific projects.

- Members appreciated the very clear and comprehensive presentation; they found the benchmarking and other forward-looking information very helpful. They thanked Hugh Swainson, Tom Beswick and the rest of the Buzzacott team for their excellent work and commended Andrew McLeod for ensuring that the audit went smoothly this year.
- **The Audit & Risk Committee accepted** the report.

ITEM 9: FINANCIAL STATEMENTS

- Following the clear and comprehensive presentation by Buzzacott, members were content with the Annual Report, including the Members Report, Governance Statement and Statements on Risk and Control and Regularity and Propriety. The results for 2021/22 were good and the Committee welcomed the progress that had been made including the improved reserves and broader alignment of key financial ratios with the Academy sector more generally.
- **The Audit & Risk Committee recommended** the Annual Report and Financial Statements for 2021/22 to the HST Board.

ITEM 10: CLOSED SESSION

- **The Audit & Risk Committee agreed** that there was no need for a closed session at this meeting.

ITEM 11: ANY OTHER BUSINESS

- None.

ITEM 12: DATE OF NEXT MEETING

- The next meeting was scheduled to take place on Thursday 23 March 2023 starting at 16.00, by videoconference (Microsoft Teams).

.....

Signed as an accurate record: Chair Date

VALEDICTORY

- This would be Geoff Cleverdon’s last meeting as Chair of the Audit & Risk Committee, and members thanked him for his long service; he had joined the Trust Board when it was founded – in 2012 – and had seen considerable change over that period. The CEO expressed his gratitude for his support and challenge. There had been a real improvement in the work expected of the Trust’s team as a result of the Audit & Risk Committee’s work.
- Geoff thanked colleagues for their support and was pleased that he was able to hand over the Chair to Jonathan Ellam, whose experience across a range of school governance roles would be invaluable.

ACTION LOG

	Item	What	Who	When
09/09/21	3.	Approach the individuals suggested to ask if they might consider becoming Members of the Trust.	Robert Dale	30/09/21
30/11/22	1d.	Seek support from RSM for a session on Risk Management training	Robert Dale	31/12/22
30/11/22	3.	Prepare report on how the COVID recovery grant had been spent in Trust schools including consideration of impact where possible.	Andrew McLeod/Mark Lewis	28/02/22
30/11/22	6.	Update the draft report as advised by the Committee.	Robert Dale	02/12/22
30/11/22	7.	Advise the Trust Board of this recommendation.	Robert Dale	02/12/22
30/11/22	8.	Request a correction for the Post-audit Report.	Andrew McLeod	02/12/22
30/11/22	8.	Develop increased reporting of unrestricted income and costs.	Andrew McLeod/Mark Lewis	28/02/22