

Audit and Risk Committee's Annual Report to 31 August 2024

1. Introduction

1.1 This report to the Trust covers the business of the Audit and Risk Committee in relation to the financial year ending on 31 August 2024 and the report also includes any significant issues arising up to the date of preparation of the report on 28 November 2024. The report complies with funding agencies mandatory requirements relating to audit including adherence to the DfE's Academies Trust Handbook 2024. The report to the Trust and the Chief Executive Officer provides: -

- 1.1.1 A summary of the work of the Committee during the financial year under review, including any significant issues arising up to the date of preparation of the report;
- 1.1.2 Evidence that there are sound internal control, risk management and assurance processes, providing financial and non-financial controls, and having regard to the financial affairs, stewardship of assets and that resources have been used efficiently.
- 1.1.3 Its opinion on the adequacy and effectiveness of the Trust's audit arrangements and its processes for securing economy, efficiency and effectiveness.

1.2 The annual report provides additional assurance to the Trust as part of the process to approve the Statement of Corporate Governance and Internal Control in the accounts. A copy of the Audit and Risk Committee's Annual Report must be submitted to the ESFA by 31 December 2024 along with the annual report and audited accounts.

2. Membership, Chair and clerking arrangements

2.1 Membership during the year ending 31 August 2024 is shown below:

Dr Marion Hawkins
Craig Holden (Chair)
Katie Jackson
Peter Jackson
Daniel Pearce-Higgins
Samantha Wilson (Co-opted Member)

2.2 Linda Watkins, Director of Governance, attended committee meetings, and clerked each meeting.

3. Meetings

3.1 Four meetings of the Committee have been held at which reports and other matters relating to the financial year have been considered.

- 21 September 2023
- 2 November 2023
- 19 March 2024
- 13 June 2024

3.2 Senior representation from both the internal and external auditors are invited to attend all meetings. There was representation from the internal auditors at meetings. Senior staff from the external auditors attended the meeting in September 2023 to present their audit strategy memorandum and letter of engagement, and in

November 2024 to present their management letter and respond to any questions from Members.

- 3.3 The Chief Executive Officer, Chief Finance Officer and Deputy Chief Finance Officer attend all meetings. Other officers are invited to join meetings if there are applicable reports to their area of work. A confidential session was held without officers in November 2024 to enable the auditors or Committee to raise and discuss any confidential issues.

4. **Terms of Reference**

The Committee considered revised terms of reference at its meeting in June 2024 which were agreed and endorsed by the Trust.

5. **Appointment of Auditors**

- 5.1 The auditors for the year ending 31 August 2024 were: -

- TIAA, Internal Auditors
- Thorne Widgery, External Auditors

- 5.2 The Trust appointed both firms of auditors in September 2021 for three years with the option to extend the appointment for a further two years. It is good practice for Trusts to tender for auditors every five years, which may not necessarily result in a change of auditors, or preclude the existing auditors from tendering who may be re-appointed. The Trust has determined to tender for its auditors in 2025 with a view to appoint internal auditors for 2025/26 and external auditors for 2024/25.

- 5.3 Members of the Trust will be requested to confirm the appointment of auditors following the tendering process.

6. **Internal Audit**

- 6.1 The Audit and Risk Committee received and considered the Internal Audit Service Annual Report to 31 August 2024 at its meeting in November 2024.

- 6.2 During the year the following reports were prepared by the Internal Audit Service as detailed in the Internal Audit Annual Report: -

- Cyber security (HSFC): reasonable assurance
- Risk management – focus on schools: reasonable assurance
- HR management: reasonable assurance
- Student records system: substantial assurance
- Procurement: reasonable assurance
- Key financial controls: reasonable assurance
- Governance – strategic control: substantial assurance
- Follow up review
- Grants T&C JKHS - postponed

- 6.1 The Auditor's report gave substantial assurance to two audits and reasonable assurance to five audits. A follow up audit was completed in the summer showed sixteen recommendation had been implemented. No updates were provided from the responsible officers for seven recommendations; this was due to completion of the audit during the summer holiday. Several of the recommendations have been addressed despite this not being confirmed.

- 6.2 Management have accepted recommendations in the reports.

- 6.3 TIAA provided briefings to the Committee relevant to the sector, including a presentation explaining the different levels and how to assess the risk appetite.

- 6.4 The Internal Audit Needs Strategy 2023/24 took account of the Trust's risk and a risk assessment carried out across the auditor's clients in the education sector. The Committee discussed the audit strategy in June 2024 and recommended this to the Trust Board which was approved in July 2024.

7. External Audit, Regularity Audit and Going Concern Assessment

- 7.1 The Committee considered Thorne Widgery's external audit plan, annual accounts, audit findings and management response and effectiveness of the external auditor and produce an annual report of conclusions.
- 7.2 The Committee reviewed Thorne Widgery's management letter to 31 August 2024 in November 2024. Their work is summarised in their management letter stating that Thorne Widgery anticipate issuing an unqualified opinion for the year ended 31 August 2024.
- 7.3 In accordance with the Academies Trust Handbook, a statement on regularity, propriety and compliance within the external auditor's remit was completed and presented to the Audit Committee in November 2024. This confirmed that nothing has come to the Auditor's attention to suggest that expenditure had not been applied to the purposes intended and that the Trust therefore complies with ESFA requirements.
- 7.4 In accordance with the Academies Accounts Direction and the Academies Trust Handbook Trusts' financial statements must be prepared on a going concern basis, unless this is not the case. A going concern assessment was completed. Despite economic and political uncertainty with inflationary and pay award pressures, based upon an evaluation of the evidence, the Committee believe that it is correct to prepare the financial statements on a going concern basis.

8. Risk Management

At each meeting the Committee has received and monitored the risk register. An internal audit had identified that the Trust's risk management policy and procedures needed to be reviewed and updated. A portal is being developed to oversee risk management in the Trust and its academies which will ensure a consistent and joined up approach. This will be launched at the start of 2025.

9. Fraud and cyber-security

A report was provided for each meeting incorporating fraud and cyber-security issues.

9.1 Whistleblowing and Fraud

- 9.1.1 The Committee has a role to oversee the Trust's whistleblowing policy and procedure. A revised whistleblowing policy was approved by the Committee in September 2023.
- 9.1.2 The Committee approved an anti-fraud policy in September 2023. Measures to mitigate fraud are also embedded in the financial regulations.
- 9.1.3 There were no investigations of fraud or irregularity during the year.

9.2 Cyber-security

There was a payroll cyber incident during the year with all reporting obligations met, including reports to ActionFraud, DfE, ESFA and ICO which followed procedures. The ICO and they were satisfied with the actions implemented and no further action was taken.

10. General Data Protection Regulation (GDPR) and Freedom of Information (FOI)

A report was provided for each meeting incorporating GDPR issues and FOI and requests.

10.1 General Data Protection Regulation (GDPR)

- 10.1.1 The Committee approved a revised data protection policy and data retention policy in September 2023. The Data Protection policy has been

revised further and presented at the Committee for approval in November 2024.

10.1.2 There was 1 data breach in the Trust with 47 near misses which were reported to the Audit Committee during 2023/24.

10.2 Freedom of Information (FOI) and Subject Access Requests (SAR)

10.2.1 FOI requests and SARs were collated by the Trust. There were 17 FOI requests and 20 SARs. All valid requests made were successfully completed.

10.2.2 The payroll cyber-attack was reported to the ICO and investigated. ICO confirmed that they were satisfied with the actions implemented and no further action was taken. No further action was taken by any another authority.

HoM Entity/Academy	Near Misses	Data Breaches
Central MAT Staff and Trustees	1	0
Hereford Sixth Form College	16	0
King Edward VI College	2	0
Worcester Sixth Form College	17	0
The Chantry School	4	0
John Kyrle High School	7	1
TOTAL	47	1

11 Sources of Assurance

11.1 Officers have ensured that practices have been embedded so that the Trust complies with the DfE's Academies Trust Handbook (ATH). This included an assessment with evidence complied against all of the 'must' requirements in the ATH.

11.2 External and internal auditors' reports provide independent assurance of internal processes and controls.

11.3 ESFA commissioned an audit of financial management and governance in July 2024 identifying two minor recommendations which were addressed promptly.

12 Opinion of the Audit and Risk Committee

12.1 The Committee has reviewed the comprehensiveness, reliability and integrity of assurances in governance, risk management and internal control frameworks. It has had regard to the adequacy and effectiveness of the Trust's assurance arrangements and its control processes for the effective and efficient use of resources, solvency and the safeguarding of assets. On the basis of reports received from the Auditors appointed by the Trust, and other sources of audit information, the Committee considers that the Trust has established adequate and efficient internal control and reporting systems.

12.2 Thorne Widgery (External Auditors) provided an effective audit service and had offered advice and clarification to officers. There had been some staffing issues with TIAA (Internal Audit Service) resulting in no client meetings, some audits conducted remotely and late. Despite this, the internal and external auditors provide independent assurance and evidence in respect of the areas audited to confirm that the Trust's internal procedures are adequate to ensure effective risk management, control and governance.

12.3 The Audit and Risk Committee received and reviewed the Trust's risk register during the year which provided some reassurance regarding systems of internal control.

Craig Holden

Chair of Audit and Risk Committee, November 2024