

Audit, Finance and Risk Committee

Terms of Reference

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Role of the Audit, Finance & Risk Committee

The Board of Trustees sets and approves the terms of reference for each of its constituted sub-committees and for any short-term working groups. All terms of reference are reviewed annually by the Board.

The Trust Board's three core governance functions are:

- Ensuring clarity of vision, ethos and strategic direction
- Holding executive leaders to account for the educational performance of the organisation and its pupils, and the performance management of its staff.
- Overseeing the financial performance of the organisation and making sure its money is well spent.

The Audit, Finance & Risk Committee is one of the Trust Board's constituted sub-committees.

The Trust Board retains overall accountability for the governance functions referenced above, however it delegates some authority to the Audit, Finance & Risk Committee, as outlined in the Scheme of Delegation.

The Committee will make recommendations to the Board of Trustees for consideration and ratification. This to include the strategic and operational direction of the Trust as a whole in respect of financial, operational, staffing and use of other resources to meet priorities set by the Trust Board.

Membership

Members of the Committee are appointed by the Trust Board and are serving Trustees. Membership of the Committee shall be capped at ten.

Members serve a tenure of four years.

The Committee Chair will be a serving Trustee from the Trust Board and will be nominated from amongst the Trustees and approved by the Trust Board. The Chair's tenure will be for four years. The Committee Chair will hold recognised financial or accountancy qualifications.

The Committee is facilitated by the Chief Executive Officer (CEO), who will guide and advise the Committee Chair.

The CEO is an Observer and holds no voting rights.

The Chief Financial Officer and the Director of HR & Operations will attend Committee meetings but will have no voting rights.

The Chair of the Board may not be a voting member of the Committee to ensure separation of responsibilities with regards to audit and risk. The Committee reserves the right to invite Observers to the Committee meeting where their testimony, evidence or perspective is required to add value to a tabled discussion item. The external auditor is expected to attend a Committee meeting at least once a year.

On occasions when the Chair is unable to attend meetings, members of the Committee who are Trustees, will nominate a Chair from within their number.

Clerk

The Clerk to the Trust Board (or their nominee) acts as the Clerk of the Committee, offering a secretariat service. The Clerk will work with the Chair and the executive team lead, to plan the agendas. The Committee will have an annual planner of tabled agenda items. Additions to the agendas will be authorised by the Chair, in conjunction with the executive team lead.

Meetings of Trustees

The Committee meets at least once per term. The Trust Board reserves the right to ask the Committee to convene additional meetings if there are substantive matters which are critical or urgent, or where government policy directives will impact on educational provision or business continuity.

Meeting quoracy

The quorum necessary for meetings is 50% +1 of sitting Committee members, of which three must be Trustees.

It is a requirement of all Committee members that they respond to meeting invitations to confirm their attendance or confirm they will be absent, in advance of a meeting.

This enables the Chair and the Clerk to determine whether the meeting can take place because the minimum quoracy level has been reached. On occasions where quoracy levels cannot be reached, an alternative meeting date will be scheduled.

Voting

Subject to the Articles, every question to be decided at a meeting of the Trustees shall be determined by a majority of the votes of the Trustees present and voting on the question. Every Trustee shall have one vote.

Where there is an equal division of votes, the chairperson shall have a casting vote in addition to any other vote she/he may have.

Delegated Authority of the Committee

The Committee has powers which have been delegated by the Trust Board. These are outlined in the Scheme of Delegation.

The Committee reports formally to the Trust Board. The Board reserves the right to direct the Committee to investigate or review specific matters and to ask the Committee to convene more regularly should the need arise. It is anticipated that the Committee will work with the Governance & Remuneration Committee with regards to benchmarking executive pay and the affordability of salary increases for any Trust- appointed positions. It is also expected that the Committee will work with the Quality of Education Committee to ensure that the deployment of financial and other resources is adequate for the academies within the Trust to offer a broad and balanced curriculum which is resourced to best effect.

The Committee is authorised:

- to seek any information it requires from any employee of the company in order to perform its duties;
- to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- to call any employee to be questioned at a meeting of the Committee as and when required.

Core Duties

The Committee should carry out the duties below for the Mowbray Education Trust, and its subsidiary Mowbray Education Trust Services Limited, as appropriate. It should ensure compliance with the provisions of the Articles of Association and the Funding Agreements and the Academy Trust handbook, as well as Employment Law.

The key areas of delegation from the Board include oversight of:

- Financial management of the Trust
- The budget for each academy in the Trust and recommendations to Trust Board for approval.
- Recommending to the Trust Board the annual top-slice of funding cover responsibilities of the Trust.
- Internal & external audit
- Appointments to the Executive Team
- Procuring all service contracts and goods
- Establishing HR policies for the Trust and all academies
- Due diligence for potential schools joining the Mowbray Education Trust
- Business continuity
- Risk Management
- Ensuring Health and safety responsibilities are maintained
- Determination of capital and building works

Specific Duties

Financial Reporting

The Trust must take full responsibility for its financial affairs, stewardship of assets and use resources efficiently to maximise outcomes for pupils.

The Committee monitors the integrity of the financial statements of the company, including its annual and interim reports and any other formal announcement relating to its financial performance, reviewing any significant financial reporting issues and judgements that they contain. The Committee also reviews summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price-sensitive nature.

The Committee will:

- Reviews financial procedures (including compliance with the DfE Guidance); delegation of spending authority and virement policies
- Be responsible for policy and decisions regarding contracts and service level agreements
- Review and approve the Trustees' allowances and expenses policy
- Have oversight of preparation of the annual report and accounts (for presentation to Directors)
- Ensure compliance with statutory and other required procedures.
- Ensure good financial management and effective internal controls, including compliance with the DfE Academy Trust Handbook and the Charity Commission's guidance to charities and charity trustees.

- Contribute to the formulation of the Trust's improvement plans, through the consideration of financial priorities and proposals, in consultation with the Chief Executive, and within the stated and agreed aims and objectives of the Trust.
- Receive and make recommendations on the broad budget headings and areas of expenditure to be adopted each year, including the level and use of any contingency fund or balances, ensuring the compatibility of all such proposals with the development priorities set out in the Trust improvement plans.
- Liaise with and receive reports from the other Committees of the Trust Board, as appropriate, and to make recommendations to those Committees about the financial aspects of matters being considered by them.
- Monitor and review expenditure on a regular basis and ensure compliance with the overall financial plan for the Trust, and with the financial regulations of the DfE, drawing any matters of concern to the attention of the Trust Board.
- Monitor future pupil rolls, provision requirements and income levels.
- Manage appropriate tendering processes and the awarding of contracts in accordance with the Financial Regulations.
- Consider and recommend acceptance/non-acceptance of the Trust's budget, prior to the start of each financial year, and in line with DfE deadlines, and taking into account any benchmarking data.
- Consider the writing off of any debts and liabilities (except where the prior written consent of the Secretary of State is required) in accordance with the Finance Policy.
- Appoint bankers and approve banking arrangements including authorised signatories.
- Establish and agree an Investment Policy and procedure for managing and investing the Trust's cash deposits.
- Establish and agree a Charging and Remissions Policy.
- Ensure the Trust has adequate insurance cover to protect against its risks and to comply with statutory requirements including the provision of indemnity insurance to cover the liability of Trustees
- Approve disposal of write-off of assets, in accordance with the Assets and Disposals Policy.
- Review the methods used to account for significant or unusual transactions where different approaches are possible
- Determine the clarity of disclosure in the company's financial reports and the context in which statements are made

Internal controls and risk management

The Committee:

- keeps under review the effectiveness of the company's internal controls and risk management systems
- reviews and approves the statements to be included in the annual report concerning internal controls and risk management.
- Has oversight of risk assessment policy, reviews the risk register and will consider further scrutiny of selected risks as they feel necessary.

Internal audit

The Committee:

- oversee and approve the trust's programme of internal scrutiny.
- ensure that risks are being addressed appropriately through internal scrutiny.
- report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks.
- oversight of the financial and non-financial controls and risks in all settings.

External audit

The Committee:

- considers and makes recommendations to the Board and Members in relation to the appointment, re-appointment, and removal of the company's external auditor.
- oversees the selection process for new auditors; and if an auditor resigns, investigates the issues leading to this and decides whether any action is required.
- oversees the relationship with the external auditor, including its remuneration, approval of its terms of engagement, suitability and independence, the supply of non-audit services, the auditor's qualifications, resources and expertise

- reviews and approves the annual audit plan and ensures that it is consistent with the scope of the audit engagement.
- reviews the findings of the audit with the external auditor including, any major issues that arose during the audit, any accounting and audit judgements, levels of errors identified during audit and the treatment of any item in the financial statements that differs from the views of the external auditors.
- reviews any representation letter(s) requested by the external auditor before they are signed by management.
- reviews the management letter and management's response to the auditor's findings and recommendations.
- reviews the effectiveness of the audit and the treatment of any items in the financial statements that differ from the views of the company's external auditor
- considers going concern assumption

The Committee meets regularly with the external auditor, including once at the planning stages before the audit and once after the audit at the reporting stage, (The Committee also meets the external auditor at least once a year, without management being present, to discuss its remit and any issues arising from the audit).

Estates

The Committee:

- Monitors and reviews all revenue and capital expenditure above £10k in relation to school premises, maintenance, infrastructure and ICT and ensures value for money within the allocated budget.
- Oversees the condition of sites and potential risks associated with site management
- Oversees legal compliance in respect of site management and health and safety.

Operations

The Committee:

- Oversees the risk register and critical areas of interest where risk has been identified and has significantly shifted during defined periods across the Trust
- Has oversight of any GDPR breaches, Freedom of Information and Subject Access Requests
- Monitors and reviews all revenue and capital expenditure above £10k in relation to Trust activities, mainly trust- wide contracts, including tender processes and supplier due diligence.
- Reviews and approved the process of due diligence for potential converter schools.

Resource Management

The Committee:

- works with the Quality of Education Committee to ensure that resources allocated to schools ensure the overall Trust and individual Academy School Development Plans are adequately funded and supported.
- reviews the budget to ensure that all schools have adequate staffing to deliver quality education.

Human Resources

The Committee:

- Monitors, approves and reviews implementation of all Trust Human Resource Policies (including Disciplinary, Capability, Grievance, Appraisal & Performance Management, Recruitment, Pay and Conditions, Adoption, Maternity Leave & Paternity Leave and Whistleblowing) within the constraints of national and local agreements
- Ensures staffing procedures (including recruitment) follow equalities legislation and safer recruitment practices.
- Oversees any process leading to restructuring or staff reductions
- Reviews the gender pay gap and approves any report to be published.
- Reviews work/life balance, working conditions and well-being.
- Ensures adequate succession planning for Executive and Leadership teams is in place.
- Agrees pay increases for both teaching and support staff
- Reviews the HR Dashboard and is aware of any staff retention issues across the Trust
- Is aware of significant casework and associated risks from a reputational and financial perspective

Notice of meetings

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, is forwarded to each member of the Committee and any other person attending, no later than five working days before the date of the meeting. Supporting papers are sent to committee members and to others as appropriate, at the same time or as soon as practicable thereafter, via the medium of the online governance portal, GovernorHub. The Committee will have an annual planner of tabled agenda items. Additions to the agendas will be authorised by the Chair, in conjunction with the executive team lead.

Minutes of meetings

The Clerk minutes the proceedings and resolutions of all meetings of the Committee and records the names of those present.

The Clerk ascertains, at the beginning of each meeting, the existence of any conflicts of interest and minutes them accordingly.

Minutes of committee meetings are circulated promptly to the Chair for agreement and then to all members of the Committee. Once the minutes have been agreed, they are available to all members of the Committee. This process should be achieved within ten working days.

It should be decided on at each meeting if there is information to be cascaded on, in what format, to whom, and by whom. The Clerk and the executive team lead will guide the committee in this regard. If matters are sensitive or could have an impact on the reputation and standing of the Trust, the committee must refer the communications needs to the Clerk to Trust Board, who also fulfils the role as Company Secretary. The post holder will then advise, support or refer on, as required.

Annual General Meeting

The Chair of the Committee attends the Annual General Meeting prepared to respond to any stakeholder questions on the Committee's activities. This is the annual meeting of the Trust's Members, who have a responsibility for ensuring that the Board of Trustees (and therefore its sub-committees and any other constituted elements of its governance structure) are effectively delivering on the Trust's charitable objects.

Reporting responsibilities

The Committee Chair reports formally to the Board on its proceedings after each meeting. The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

There is a requirement for the executive team lead and the Chair of the Committee to adhere to agenda planning schedules for the Board or other Board sub-committees where appropriate, when compiling reports which will be tabled at these respective meetings. The Clerk to Board will advise on agenda planning and paper submission deadlines, and the clerking team will manage the information flow across the structures. Committees are kindly asked to note that without their timely adherence to the schedule the capacity for other governance structures to be effective, is diminished.

The Members may request information from the Committee on an extraordinary basis, via the Clerk to Board, should they need an evidence base on which to determine if the Trust Board is effectively dispensing its duties and performing its core functions.

The Board has a responsibility to report on matters down to the Committee.

Functional Relationships

The Committee will need to foster and develop relationships with:

The Members, via the Annual General Meeting

The Trust Board

The Clerks assigned to the committee and the Board

The Company Secretary

The CEO

The auditors

Members of the Central Team focusing on risk

Regulation, legislation and abiding to the Trust's internal policies

Though not an exhaustive list, Trustees are individually and severally required to abide by the following:

The legal duties of charity trustees (Charity Commission)

The legal duties of company directors, under the Companies Act of 2006 (Companies House)

The Data Protection Act, 2018

The Equalities Act, 2010

The Education Act, 2002

Keeping Children Safe in Education (DfE, revised annually)

The Directors' Code of Conduct (MET)

Trustees Allowances and Expenses Policy (MET)

Declaration of Business and Personal/Familial Interests (MET)

Whistleblowing Policy (MET)

Complaints Policy (MET)

Best practice governance

MET's Board of Trustees aspires to meet the best practice guidance set down in the Governance Handbook, the Governance Competency Framework, the Academy Trust Handbook and the ongoing advisory guidance provided The National Governance Association, and the Confederation of School Trusts.