



# TERMS OF REFERENCE

## Audit, Finance & Resources Committee

## Role of the Audit, Finance & Resources 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:

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

The Audit, Finance & Resources 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 & Resources Committee, as outlined in the Scheme of Delegation.

The Committee's deliberations and actions should include proper planning, monitoring, probity and business professionalism in overseeing sound management of both the Trust's and individual academies' finance and resource management.

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.

## Authority

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

The Committee reports into the Trust Board formally – the Committee Chair and executive team attend Board meetings to report on the strategic matters discussed at the Committee and provide an update on its annual plan of work.

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. If the Committee considers it needs to revise its meeting pattern over a sustained period of time, the Committee Chair should feed this into the Board and the Governance & Remuneration Committee to instigate a review.

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 parent company, major subsidiary undertakings and the group as a whole, as appropriate.

It should ensure compliance with the provisions of the Articles of Association and the Funding Agreements and ensure compliance with the Academies Financial handbook, as well as Employment Law.

The key areas of delegation from the Board cover:

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

## Specific Duties

### Financial Reporting

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 reviews and challenges where necessary:

- the consistency of, and any changes to, accounting policies both on a year- on-year basis and across the Trust;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity of disclosure in the company's financial reports and the context in which statements are made;
- the treatment of any items in the financial statements that differ from the views of the company's external auditor;
- the going concern assumption; and
- all material information presented with the financial statements, such as the business review and the corporate governance statement (insofar as it relates to audit and risk management).

## **Internal controls and risk management**

The Committee:

- keeps under review the effectiveness of the company's internal controls and risk management systems and;
- reviews and approves the statements to be included in the annual report concerning internal controls and risk management.

## **Internal audit**

The Committee:

- monitors and reviews the effectiveness of the Trust's group review and audit in the context of the company's overall risk management system, maintaining a risk register and developing appropriate risk management strategies.
- approves the appointment and removal of the internal and external auditors.
- considers and approves the remit of group review and audit and ensures it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee also ensures group review and audit has adequate standing and is free from management or other restrictions.
- reviews and assesses the annual internal audit plan.
- reviews promptly all reports on the company from the internal auditors.
- reviews and monitors management's responsiveness to the findings and recommendations of group review and audit.
- meets the head of audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of audit has the right of direct access to the Chair of the Board and to the Committee.

## **External audit**

The Committee:

- considers and makes recommendations to the Board 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 (but not limited to):
  - i. approval of its remuneration, whether fees for audit or non-audit services, ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
  - ii. approval of its terms of engagement, including any engagement letter issued at the start of each audit, and the scope of the audit;
  - iii. assessing annually its independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

- iv. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
- v. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared with the overall fee income of the firm, office and partner, and other related requirements ;
- vi. assessing annually the auditor's qualifications, resources and expertise, and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal procedures; and
- vii. developing and implementing a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

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).

The Committee:

- 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. This shall include but no be limited to, the following:
  - i. any major issues that arose during the audit;
  - ii. any accounting and audit judgements.
  - iii. levels of errors identified during audit; and
  - iv. 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.

## **Resource management**

### **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

## 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

## Infrastructure

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

## 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 four 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.

## Quorum

The quorum necessary for meetings is 5, 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.

## Frequency of meetings

The Committee meets once every 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.

## 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, Trust Governor. 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.

A standing item on every agenda will focus on Communications. The Committee will be mindful

of the RASCI requirements outlined in the Scheme of Delegation (Responsible, Accountable, Supported, Consulted and Informed) and on the basis of the meeting proceedings, they will indicate what needs 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.

The Committee should consistently check the Scheme of Delegation to determine what needs to be reported to whom, noting the RASCI within this document.

## 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, Committee members are asked to note and abide by:

- The legal duties of charity trustees (Charity Commission)
- The legal duties of company directors, under the Companies Act of 2006 (Companies House)
- The UK Corporate Governance Code (Financial Reporting Council)
- The Directors' Code of Conduct (MET)
- Payment to Trustees Policy (MET)
- The Equalities Act, 2010
- The Education Act, 2002
- The Data Protection Act, 2018
- Declaration of Business and Personal/Familial Interests (MET)
- Whistleblowing Policy (MET)
- Complaints Policy (MET)

## Best practice governance

MET's Trust Board, and its delegated committees, Scrutiny panels and working groups aspire to meet the best practice guidance set down in the Governance Handbook, the Governance Competency Framework, the Academies Financial Handbook, the funding agreement, the Chartered Institute of Personnel Development and the ongoing advisory guidance provided by Leicestershire's Governor Support and Development Service, The National Governance Association, and the Confederation of School Trusts.

The Committee:

- has access to sufficient resources in order to carry out its duties, including access to the clerk to the trust for assistance as required;
- is provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- gives due consideration to laws and regulations and the provisions of the UK Corporate Governance Code;
- is responsible for co-ordination of group review and audit and external auditors;
- oversees any investigation of activities that are within its terms of reference and acts as a court of the last resort;
- at least once a year, reviews its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommends any changes it considers necessary to the board for approval.

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