



Transforming Lives
EDUCATIONAL TRUST

Audit and Risk Committee

Terms of Reference

The Board of Trustees has established an Audit and Risk Committee to support it, and the Executive, in its responsibilities for ensuring the adequacy of risk management, internal control and governance arrangements and that public funds are used efficiently and effectively. The Audit and Risk Committee will review the comprehensiveness of assurances for the Board and Executive, and review the reliability and integrity of those assurances. The Audit and Risk Committee (ARC) is a sub-committee of the Board of Trustees (the Board).

1. Membership

1.1 The ARC will have a maximum of 7 and no fewer than 3 trustees as members. The Chair of the Board will not be a member of the Committee. They may however attend meetings on the invitation of the Chair of ARC.

1.2 The Chair of the ARC will be elected annually by the Board from any of its members except the Chair.

1.3 All ARC members will be non-executive and appointed to the ARC by the Board, on the recommendation of the Chair of the Board. At least one ARC member shall have recent and relevant financial or risk management experience. The Board may also appoint or co-opt one or more independent external non-voting members. The members/attendees of the ARC may recommend such appointments to the Board.

1.4 All appointments shall be made with due regard to the need to understand the organisation's objectives, structure and culture, and other legislative and accountability contexts within which it operates. ARC members should collectively possess knowledge and skills in accounting, risk management, audit, financial governance and technical issues relevant to the business and strategic management of the organisation.

1.5 The term of service for ARC members will be for a period of 3 years, extendable for up to a maximum of a further 3 years at the discretion of the Board. ARC members who are members of the Board may stand down with the consent of the Board and their service will discontinue if they no longer serve as members of the Board.

1.6 Members should declare conflicts of interest not previously notified.

2. Clerk

2.1 The Chair of the Board of Trustees shall ensure a Clerk is available to service ARC meetings.

3. Quorum

3.1 A duly convened meeting of the ARC at which more than 50% of voting members is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the ARC. If the meeting is not quorate, any matter decided by the Committee will only be a recommendation and must be ratified by the Board.

3.2 The Chair of the Board may nominate alternative Board delegates if one or two of the members cannot attend a meeting.

3.3 When matters are decided by the Committee through a vote, the Chair shall have a casting vote in the event of an equal division of votes.

4. Frequency of meetings

4.1 The ARC will meet as often as is necessary to fulfil its responsibilities but at least three times a year, once in each of the Autumn, Spring and Summer terms.

4.2 There should be one meeting a year where the Committee meets the auditors without the Chair of the Board or officers of the Trust being present.

5. Attendance at ARC meetings

5.1 ARC meetings will normally be attended (non-voting) by:

- the Chief Executive
- the Chief Financial Officer

5.2 Members of the ARC may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter.

5.3 All meetings will be chaired by the Chair of the ARC. In the absence of the Chair the remaining members present shall elect one of their number to chair the meeting.

5.4 The ARC may ask any or all of those who normally attend but who are not members to withdraw from the discussion of particular matters to facilitate open and frank discussion.

5.5 A register of attendance shall be kept for each Committee meeting and published annually.

6. Notice of meetings

6.1 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the items to be discussed and any relevant papers shall be sent to ARC members and all other persons required to attend, no later than 5 working days before the date of the meeting.

6.2 In addition to its scheduled meetings, further meetings of the ARC may be called by the secretary at the request of the Board or of the Chair of the ARC.

7. Minutes of meetings

7.1 The secretary will arrange for a record of the proceedings and decisions of each meeting to be made, including the names of those present and in attendance and any declarations of conflict of interest.

7.2 Draft minutes of the meetings shall be circulated within 10 working days of the meeting taking place to the Chair of the ARC and then to all members and attendees of the ARC.

7.3 The minutes of the meeting shall be approved by the ARC at its subsequent meeting.

8. Duties and responsibilities

8.1 The ARC will maintain a rolling forward agenda of about one year which will be reported to the Board on a regular basis.

8.2 The ARC's role is to support the Board and Accounting Officer, in monitoring the adequacy of the organisation's corporate governance and control systems through:

- offering objective advice on issues concerning the risk, control and governance of the organisation and associated assurances provided by internal and external audit and other processes
- constructively challenging, where and when appropriate, executive decisions to ensure that these are the best possible and achieve value for money in the light of the available evidence

8.3 The ARC will review and advise the Board and the Accounting Officer on the following matters:

- the annual report and Governance statement
- the adequacy of the organisation's assurance processes and how governance arrangements support achievement of organisational strategy and objectives
- up-holding standards of propriety in the organisation's business
- achievement of value for money
- the plans for internal and external audit, including assessing priorities and promotion of understanding of the role of audit within the organisation
- the results of internal and external audit work, including individual audits, progress, remedial actions and annual reports, and management letters
- the adequacy of management responses to issues raised by internal and external audit; and implementation of internal audit recommendations and timescales
- the processes for assessing, reporting, mitigating and owning business risks and their financial implications, including the capability of the organisation's internal reporting system to provide early warning of control failures and emerging risks
- the adequacy of the organisation's assurance arrangements relating to the management of risk and Trust governance, including discussion with the external auditor the nature and scope of forthcoming audits
- the adequacy of systems of quality assurance for the organisation's core activities
- the appointment of internal auditors
- the organisation's policies for whistleblowing, cyber and information security
- the performance of internal and external audit services
- the requirements for, and the process for, the appointment of external auditor

8.4 Considerations for the Audit and Risk Committee in respect of the organisation's annual report and accounts:

- that the accounting policies in place are appropriate and comply with relevant requirements, particularly the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction
- that there has been a robust process in preparing the accounts and annual report
- whether the accounts and annual report have been subjected to sufficient review by management and by the Accounting Officer before they are reviewed and approved by the Board

- that when new or novel accounting treatments arise, whether appropriate advice on accounting treatment has been taken
- whether there is an appropriate anti-fraud policy in place, and whether losses are suitably recorded
- whether suitable processes are in place to ensure accurate financial records are kept
- whether suitable processes are in place to ensure regularity and propriety is achieved
- whether issues raised by the External Auditors have been given appropriate attention
- review the external auditor's annual management letter

8.5 The Committee should satisfy itself that the annual financial statements represent fairly the financial position of the organisation. Before the Accounting Officer signs off the Letter of Representation, the Committee should review it and give particular attention to non-standard issues of representation.

9. Reporting responsibilities

9.1 The ARC Chair will formally report to the Board after each meeting. This will usually be done by submitting a copy of the draft minutes with the Chair highlighting any significant matters which the ARC considers relevant to draw to the Board's attention.

9.2 The Chair will provide an annual report to the Board, timed to support the preparation of the annual governance statement, summarising its conclusions from the work it has done during the year.

10. Rights

10.1 The ARC shall be entitled to:

- sufficient resources to carry out its duties, including access to the Trust's governance and business resource
- appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members
- procure specialist ad-hoc advice at the expense of the Trust, subject to confirmation from the Board that funds are available
- seek any information it requires in order to perform its duties from any employee of the Trust
- call any employee to be questioned at a meeting of the ARC as and when required
- publish in the Trust's annual report details of any issues that cannot be resolved between the Committee and the Board

10.2 Representative of external audit representative will have free and confidential access to the Chair of the ARC.

11. Other matters

11.1 The Chair of the ARC shall meet periodically with the Accounting Officer and external audit representative outside of the formal ARC meetings. The Chair of ARC shall also meet routinely with the Chair of the Board.

11.2 The ARC shall arrange for periodic reviews of its own performance including periodic self-assessment and external independent review and annually review its constitution and terms of reference to ensure that it is operating at maximum effectiveness, recommending any changes it considers necessary to the Board for approval.

11.3 All ARC members are expected to undertake an appropriate programme, facilitated by the CEO, of engagement within the Trust and its activities to help them understand its objectives, business needs, priorities and risks.

11.4 The Board will ratify the role and terms of reference of the ARC at the start of each academic year and ensure alignment with the Trust's wider systems of governance.

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