**Model Document**

**Simply insert your logo and amend to suit your requirements.**

**Finance, Risk and Audit Committee –**

**Terms of Reference**

**Composition**

Five named members of the board of trustees (in the case of multi-academy trusts, majority of the committee members must be trustees). Other trustees may attend meetings of the Committee as ‘non-voting’ members if they so wish.

**Trusts must either have a dedicated Audit and Risk Committee or can combine it with the Finance Committee. 1**

**Where the Finance Committee and the Audit and Risk Committee are separate, employees of the trust should not be Audit and Risk Committee members but the Accounting Officer and Chief Finance Officer should attend to provide information and participate in discussions. [[1]](#footnote-1)**

**The Chair of Trustees should not be Chair of the Audit and Risk Committee.1**

**Where the Finance Committee and the Audit and Risk Committee are separate, the Chair shall not be the same. 1**

**Quorum**

Three (unless otherwise agreed).

**Clerking**

The Board of Trustees must appoint a Governance Professional to the committee. The Governance Professional must not be the Headteacher, Chief Financial Officer or Accounting Officer

**Purpose of the Audit element:**

The audit committee oversees all systems, controls and processes that may have an impact on the trust’s ability to meet its objectives. The audit committee ensure that:

* Effective and robust audit and governance functions are in place (both external and internal) and must agree a programme of work annually to deliver internal scrutiny that provides coverage across the year
* adequate risk management processes are in place and assessed on a regular basis
* an adequate internal control environment is established and maintained
* ensure that internal scrutiny activities are independent, objective and for purpose
* report to the Board on the adequacy of the trust’s internal scrutiny including financial and non-financial controls and management of risks

**Terms of Reference for the Finance Elements:**

To provide robust guidance, direction, advice and assistance as appropriate to the Headteacher and Senior Leadership Team in relation to all matters concerned with the preparation and monitoring of the budget and the overall arrangements for financial management in the school.

To ensure robust governance alongside the existing requirement to apply the highest standards of conduct in relation to financial and accounting matters.

To advise the Board of Trustees in relation to the requirements for financial regulations within the school.

To ensure the Register of Business Interest is kept up to date with notification of changes and through an annual review, including broader business interests held by senior executives, and that any payments to executives in relation to such interests meet the transparency requirements in the academy accounts direction.

To maintain oversight of the management of declared interests and ensure compliance in respect of any transactions that may cause a conflict of interest, or perceived conflict of interest in respect of any third party or related party transactions.

To contribute to the annual review of the School Development/Improvement Plan and ensure that identified financial priorities are reflected in the annual budget plans and the longer term financial development plans for the school.

To prepare and discuss the Budget Forecast Return (Outturn) before its submission to the Education and Skills Funding Agency (ESFA).

To prepare, in the context of the overall School Development/Improvement Plan and the Medium Term Financial Plan for the school, the 3 year budget plan (Budget Forecast Return) for presentation and approval at a meeting of the board of trustees before its submission to the ESFA.

To be responsible for the forward planning of future budgets, within the constraints imposed by central government, and to prepare rolling forecasts of the future financial needs of the school.

To provide advice and make recommendations to the board of trustees in relation to policy matters relating to budgetary control and the implementation and monitoring of the agreed budget. [The detailed arrangements for the control, implementation and monitoring of the agreed budget shall be delegated to the CEO and CFO.]

To receive regular financial reports covering income and expenditure for the school showing a comparison of these against budget estimates and take remedial action where necessary. Such action to be reported to the board of trustees and, where necessary, raised as a matter of report with appropriate Committees.

To monitor and keep under regular review the school’s actual expenditure and liaise as necessary with other Committees where remedial action may be required and ensure that ESFA approval prior to certain transactions with delegated authority limits has been obtained where required.

To monitor the use of all specific funds available to the school to ensure that they are deployed for the purposes for which they are allocated.

To keep under review the staffing establishment of the school and to recommend to the board of trustees and to the Personnel/Pay Committee the financial limits for salaries and wages within the overall school budget

To ensure that senior employees' payroll arrangements fully meet tax obligations.

To monitor the gender pay gap information on the government reporting website, as well as on the Trust’s website (for Trusts with over 250 employees).

To keep under review and revise/update as appropriate the Financial Regulations, Scheme of Financial Delegation and Financial Risk Assessment for the school.

To arrange for decisions on the purchase of single items of expenditure on goods/services and virements to be made within agreed budget heads and contingency resources in accordance with the provisions of the Financial Regulations and Scheme of Financial Delegation for the school and to make recommendations to the board of trustees and its Committees as to expenditure limits in relation to their respective areas of responsibility.

To take decisions on virement between staffing and non-staffing costs and contingency resources as detailed in the Scheme of Financial Delegation.

To make decisions as to spending within the delegated powers available to the Committee and to advise and/or make recommendations to the board of trustees on the appropriateness or otherwise of spending requests outside the delegated powers of the Committee.

To determine and approve charges for the letting of the school premises and facilities, including the school grounds.

To monitor the management of the school private fund separately and ensure that the accounts are properly audited each year with the academy accounts.

To review financial policy/procedure statements on a regular basis, including the short term and longer term planning and resourcing strategies within the school, making recommendations to the board of trustees where required.

To make recommendations to the board of trustees in relation to the provision of the Charging and Remissions Policy for educational trips/visits organised by the school.

To consider, where appropriate, the use of contract or in-house services within the school and to oversee the setting up of such contracts as determined by the board of trustees.

To refer all issues of principle, and any serious problems which may arise during the course of the year, to the board of trustees with appropriate recommendations as to the way forward.

To determine the procedure and recommend the appointment of Auditors for the delegated budget and the school private fund to the board of trustees.

**Items for multi-academies to consider:**

To consider each of academies indicative funding, notified annually by the DfE/ESFA and to assess its implications for the relevant academy. This will be in consultation with the trust’s Business Manager (or Chief Financial Officer) together with the Headteacher/Head of School and the Office Manager of the relevant academy, in advance of the financial year, drawing any matters of significance or concern to the attention of the board.

To consider and recommend acceptance or non-acceptance of the academies budgets each financial year.

To contribute to the formulation of the academies strategic plan, through the consideration of financial priorities and proposals, in consultation with the relevant Headteacher/Head of School and the Business Manager and with the stated and agreed aims and objectives of the relevant academy.

To liaise with and receive reports from appropriate committees and make recommendations to those committees about the financial aspects of matters being considered by them.

To consider the spending plans of other committees and report back and advise the board.

To delegate the day to day management of the approved budget to relevant Headteacher/Head of School, within agreed authorisation limits.

To consider and act upon matters not covered by other committees.

To review the financial policy including consideration of long term planning and resourcing in accordance with each of the academies’ development/improvement plans.

To monitor and review expenditure on a regular basis and ensure compliance with the overall financial plan for the academies, and with the financial regulations of the trust, drawing any matters of concern to the attention of the board.

To monitor and review procedures for ensuring the effective implementation and operation of financial procedures, on a regular basis, including the implementation of bank account arrangements and where appropriate make recommendations for improvement.

To prepare the financial statement to form part of the annual report of the board to stakeholders and for filing in accordance with requirements of the Companies Act, Charity Commission and Funding Agreement (including the Academies Financial Handbook).

To receive each term the relevant Headteacher’s/Head of School’s Health and Safety report and advise as necessary.

To monitor compliance with the academies’ Health & Safety policies and statutory obligations under the Health and Safety at Work Act 1974.

To confirm that an asset recording system is in place, including an inventory and fixed asset register for each academy.

To maintain awareness of ESFA requirements in relation to financial notices and insolvency matters.

**Terms of Reference Audit and Risk Elements:**

To consider the appointment of the external auditor and assess independence of the external auditor, ensuring that key audit personnel are rotated at appropriate intervals. To then recommend to the trust Members the appointment of the external auditor.

To recommend the audit fees to the board and pre-approve any fees in excess of £10,000 in respect of non-audit services provided by the external auditor and to ensure that the provision of non-audit services does not impair the external auditors’ independence or objectivity.

To consider all aspects of the external audit, including appointment and remuneration of the external auditor, the nature and scope of the statutory audit, the recommendation of audited financial statements to the board, and the discussion of issues raised in the external auditor’s management letter.

To assess the effectiveness and resources of the external auditor.

To ensure that the internal scrutiny arrangements for the *Board of Trustees* are conducted by a suitably qualified and experienced person, able to draw on technical expertise as required.

To agree the scope and scheme of works for all internal scrutiny activities.

To receive and review an annual report of all internal scrutiny activities.

To consider the approach to internal scrutiny arrangements on an annual basis, ensuring the approach remains robust and suitable, taking account any changes to the size of the Trust, complexity and risk profiles.

To receive and review regular reports from staff undertaking internal audit and risk management work and activities.

To ensure that the internal audit report is submitted to ESFA by the Trust.

To submit an annual summary report to ESFA, at the same time as the annual accounts, setting out the key areas reviewed; key findings; recommendations and conclusions.

To ensure the annual financial statements are true and fair and conform to accounting standards, accounting policies are appropriate and applied consistently.

To review the performance reported in the trustees’ Annual Report and ensure that this is a true reflection of the trust’s performance.

To review all reports prepared by the external auditor and agree the programme of work proposed by management to address issues raised.

To review the performance of the external auditor on an annual basis.

To recommend to the trust Members the appointment/re-appointment of the external auditor.

To review and consider the circumstances surrounding any resignation or dismissal of the external auditor.

To review the effectiveness of the body's internal control system established to ensure that the aims, objectives and key performance targets of the organisation are achieved in the most economic, effective and environmentally preferable manner.

To ensure that the body's internal audit service meets, or exceeds, the standards specified in the Academy Trust Handbook, complies in all other respects with these guidelines and meets agreed levels of service.

To ensure robust whistle-blowing procedures are in place and compliant with the requirements set out in the Academy Trust Handbook.

To appoint at least one Trustee as lead for whistleblowing, and to whom staff can report whistleblowing concerns to.

To review the reports and recommendations of the internal audit, together with the appropriateness of management’s response.

To monitor the implementation of action agreed by management in response to reports from the external auditor internal audits.

To ensure that a risk register is in place and regularly maintained to ensure compliance with the Academy Trust Handbook; and to ensure the register includes details of contingency and business continuity planning arrangements.

To regularly review the risk register, ratings and responses and use this to inform Committee priorities in relation to internal scrutiny activities.

To monitor the assessment of risks to which the organisation is exposed, to ensure this is kept up to date and to ensure that management are charged with implementing controls to mitigate these risks.

To ensure that the risk management processes are adopted across the whole of the trust.

To review the operation of internal and external audits and the adequacy of the level of assurance gained from the combined activities of both.

To consider any other matters where requested to do so by the board; and

To report at least once a year to the board on the discharge of the above duties.

To ensure full compliance with the Academy Trust Handbook.

**Meetings**

Committee meetings will be held on an as required basis but at least six per academic year.

A Governance Professional will make a record of all proceedings at each meeting. Minutes will be circulated to members within agreed timescales.

The committee will liaise with such other committees and invite members of the other committees to attend its meetings as should be deemed appropriate.

Any matters which may be in conflict with the work of another committee must be referred to the Board of Trustees.

**Authority**

The Committee is authorised by the Governing Board:

To investigate any activity within its terms of reference.

To seek any information from any employee, with all employees directed to co-operate with any request made by the Committee.

To obtain any outside legal or independent professional advice where it deems it necessary.

1. Academy Trust Handbook (September 2021) [↑](#footnote-ref-1)