

CRANMER EDUCATION TRUST

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AUDIT FINANCE AND RISK  
COMMITTEE

Terms of reference

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JUNE 2019

CRANMER EDUCATION TRUST  
The Blue Coat School, Egerton Street, Oldham. OL1 3SQ

The Academies Financial Handbook requires that every Academy Trust **must** establish a committee, appointed by the Trust Board, to maintain an oversight of the Academy Trust's governance and risk management, and to provide assurance over the suitability of, and compliance with, its financial systems and operational internal controls and for multi academy trusts this must extend to the financial controls and risks of each Academy.

The Trust must establish either:

- A dedicated audit committee; or
- An existing committee whose combined remit includes the functions of an audit committee. This could be an addition to the terms of reference to an existing committee, such as a finance committee.

All trusts with an annual income of over £50 million must have a dedicated audit committee.

The Academies Financial Handbook also directs that Academy Trusts **should** establish a finance committee to provide independent oversight and scrutiny of the Trusts revenue and capital budget setting, monitoring, outcomes and reporting, value for money, to review the Trust estate planning and to set, monitor and evaluate the central support cost contributions payable by the Academies in the Trust.

The Trust Board has therefore resolved to establish an Audit, Finance and Risk Committee, to provide independent oversight and scrutiny of the Trusts risks and financial matters.

## **Composition**

The Audit Finance and Risk Committee (the "Committee") is appointed by the Trust Board.

There shall be a minimum of six members of the Committee with any three constituting a quorum. In the event of difficulty in achieving a quorum, Trustees who are not members of the Committee may be co-opted as members for individual meetings, provided the majority of the quorum are full members of the Committee.

As noted in the Academies Financial Handbook, where the Trust operates a combined finance and audit committee, employees of the Trust maybe members of the committee but should not participate as members where audit matters are discussed. Therefore, the Chief Executive Officer, in their role as Accounting Officer and as member of the committee may remain in attendance to provide information and participate in discussions on audit matters but may not vote or approve or be considered as a member towards quorate status of the meeting where audit matters are being discussed.

The Finance Director will also normally attend meetings of the Committee and will be expected to 'coach' new members of the committee so that they can understand and discharge their responsibilities.

The Chair and the Vice-Chair of the Committee shall be appointed by the Trust Board.

In order to perform his or her role effectively, each Committee member should obtain an understanding of the detailed responsibilities of Committee membership as well as the Trust's finance operations and risks.

## **Frequency of Meetings and Proceedings**

Meetings shall be held four times a year and at such other time as the Chair of the Committee shall deem to be appropriate to coincide with key dates in the company's financial reporting cycle.

The external auditor may request a meeting if they consider that one is necessary.

## **Reporting**

Unless otherwise agreed by all members of the Committee, notice of meetings, confirmation of the venue, time and date together with an agenda and all relevant papers, should normally be circulated to each member at least five working days prior to the date of the meeting.

The Clerk appointed at the meeting shall minute the proceedings and resolutions of the Committee. Minutes of Committee meetings shall be circulated to the Trust Board. The Committee reports its findings/recommendations to the Trust Board and the Accounting Officer as a critical element of the Trust's annual reporting requirements.

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Trust Board for approval.

## **Duties**

The specific duties of the Committee shall be to:

### **Audit**

- consider and advise the Board on the Trust's annual and long-term audit programme, ensuring that the Trust's internal controls are subject to appropriate independent scrutiny at least in accordance with Government standards
- to make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor
- discuss the nature and scope of each forthcoming audit
- consider all relevant reports by the Internal Auditor and the appointed external auditor, including reports on the Trust's accounts, achievement of value for money and the response to any management letters
- monitor the management's response and implementation of any actions to address adverse control findings or recommendations made by the internal auditor or the appointed external auditor
- review the effectiveness of the Trust'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

### **Risk**

- monitoring the risk profile of the business against the Trust Board's desired risk appetite;
- monitoring the effectiveness and output of the annual risk management process;
- assessment of the overall population of risk within the risk registers, including any changes during the period
- consideration and challenge of risk prioritisation as provided by the risk owners, including discussion of any discrepancies

- ensuring that risk management is appropriately embedded within line management and that this process is monitored

#### Business continuity

- To develop and continually monitor the effectiveness of a Trust Business Continuity Policy and Academy Critical Incident Plans and to periodically test the underlying assumptions of the policy and plans.

#### Finance

- review the Annual Consolidated Budget and three year budget forecasts in detail and to make recommendations to the Trust Board including the submission of the Budget Forecast Return to EFSA in July
- Review the revised consolidated budget as the basis of the budget outturn report submission to EFSA in the Spring
- Consider the achievement of value for money
- review reports from the Executive Team in relation to Trust estate planning
- review new and existing finance policies and make recommendations to Trust Board
- to set, monitor and evaluate the central support cost contributions payable by the Academies in the Trust
- ensure that information submitted to DFE and ESFA that affects funding is accurate and in compliance with funding criteria

#### Other

- consider any other matters where requested to do so by the Trust Board; and
- The Committee should describe its work in discharging its audit responsibilities in an Annual Report as part of the Trust's annual reporting requirements for the financial statements. The report should include:
  - the significant issues that it considered in relation to the financial statements;
  - an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment, continuation or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted;
  - and, if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded

#### **Authority**

The Committee is an advisory body with no executive powers. However, it is authorised by the Trust Board to investigate any activity within its terms of reference or specifically delegated to it by the Trust Board, and to seek any information it requires from staff, who are requested to co-operate with the Committee in the conduct of its enquiries.

The Committee has the authority to obtain outside legal or independent professional advice if it considers this necessary. The advisers may attend meetings as necessary and the cost of the advisers shall be borne by the company.