

# Terms of Reference for Audit Committee

**Issued: May 2018**  
**Next Review Due: July 2019**

## **Purpose**

The purpose of the Audit Committee is to monitor the integrity of the financial statements, to review the governance, internal control and risk management systems and to review the internal and external audit services. It also gives recommendations to the Trust Board where it considers that action and improvement is needed.

### **Rationale: (Extract from the EFA Academies Financial Handbook, Sept 2016)**

The following numbered paragraphs set out the rationale from the EFA as to why a separate Audit Committee should be established:

#### **2.4 Internal scrutiny**

***The Trust must have in place a process for checking its financial systems, controls, transactions and risks.***

##### **2.4.1 Audit committees**

2.4.2 *Academy Trusts **must** establish a committee, appointed by the board of trustees, to provide assurance over the suitability of, and compliance with, its financial systems and operational controls. Taking into account the differing risks and complexity of their operations:*

- *all trusts with an annual income over £50 million must have a dedicated audit committee*
- *all other trusts have flexibility to establish either a dedicated audit committee, or to include the functions of an audit committee within another committee*

2.4.3 *Audit committee functions should be established in such a way as to achieve internal scrutiny which delivers objective and independent assurance, which means that:*

- *staff employed by the trust should not be members of an audit committee, but may attend to provide information and participate in discussions*
- *where the trust operates a combined finance and audit committee, staff may be members but should not participate as members when audit matters are discussed; they may remain in attendance to provide information and participate in discussions*

*The accounting officer and other relevant senior staff should routinely attend the committee in the capacity set out directly above.*

## **Terms of Reference**

The BDAT Audit Committee needs to take a strategic role, act as a critical friend to the academies within the Trust and hold the board to account for its decisions.

The Audit Committee is a Committee of the Trust Board and is to investigate any activity within its terms of reference. It will request any information it requires from any employee, external audit, internal audit or other assurance provider.

The Audit Committee will obtain outside legal or independent professional advice it considers necessary. However, the Audit Committee may not incur expenditure in excess of the limits set out in the Financial Scheme of Delegation.

### **Membership**

The Board of Trustees shall appoint the Committee from the Non-Executive Trustees of the Trust. The Committee shall consist of not less than three Trustees. A quorum shall be three Trustees. One Trustee shall have recent and relevant financial experience.

Only Trustees will have voting rights at the Internal Audit meetings.  
A Trustee will be appointed as Chair by the members of the full BDAT Board in the first meeting of the academic year.

Where Trustees identify there is a skills or knowledge gap of the Audit membership, the full BDAT Board may appoint additional external members.

### **Attendance at Meetings**

The Chair of the Trust, CEO, Finance Director, Finance Officer, Operations Director and other persons shall attend meetings at the invitation of the committee. The Committee shall invite the External Auditors to attend the November meeting each year.

When executive staff, including the CEO, are invited to attend, they will not be counted as voting members of the committee or contribute to quoracy. Executive staff may not participate in discussions when audit results are discussed.

### **Frequency of Meetings**

Meetings shall be held as required to coincide with key dates in the financial reporting cycle. Additional meetings may be requested by the Chair of the Internal Audit Committee.

### **Authority**

The Internal Audit Committee must operate within the BDAT scheme of delegation and is authorised by the Board of Trustees to:

- Investigate any activity within its terms of reference
- Seek any information that it requires from any Trustee, Governor or Employee of the Trust and its Schools
- Obtain outside legal or independent professional advice

### **Duties**

#### **1. Internal Audit**

To direct those responsible for conducting elements of internal audit within each of the Trust's Schools three times per year and to receive reports based upon these exercises; to ensure findings are shared with appropriate Trustees, Governors and Staff and to review and monitor Governance and Management's response to findings. Internal audit may include but is not limited to the following areas:

**a. Financial Reporting**

To review and where necessary to challenge the actions and judgements of Trust and School Governance and Management in relation to financial reporting, accounting policies and practices, budgets, unusual transactions, disclosures, adjustments resulting from audits and compliance with Statutory Duties.

**b. Internal Control and Risk Management**

To monitor and review the integrity of the Trust's internal financial controls, including procedures to detect and prevent fraud and impropriety and those to identify, assess and manage risk

**c. Education and Standards**

To review and where necessary challenge the actions and judgements of Trust and academy data, attainment, progress, value added and other educational reports.

**d. Local governance**

To scrutinise the work of LGBs to ensure they are providing the required level of challenge and support.

**e. Contract management**

To review existing and future contract arrangements and, where necessary, ensure that Trustees are represented adequately during supplier selection.

**f. Safeguarding**

To oversee Trust-wide arrangements for safeguarding ensuring that statutory requirements are met or exceeded.

**g. HR**

To ensure that the Trust's HR support is fit for purpose and that adequate arrangements exist to meet statutory and legal obligations.

**h. Policies**

To ensure that Trust policies are developed, reviewed and amended on a regular basis.

**i. Religious ethos**

To ensure that the religious ethos of the Trust is maintained and that non-faith academies follow the ethos of the Trust.

**j. Health and Safety**

To ensure that the Trust's Health and Safety arrangements are fit for purpose and that adequate arrangements exist to meet statutory and legal obligations.

**2. External Audit**

1. To recommend the appointment, re-appointment or removal of the external auditor and oversee the Trust's relations with them; to approve the terms of engagement and remuneration to be paid to the external auditor.
2. To discuss with the external auditor, before the audit commences, the nature and scope of the audit.

3. To review with the external auditor the findings of their work, including any major issues arising and their resolution, key accounting judgements and levels of errors identified during the audit.
4. To assess the effectiveness of the audit process at the end of its cycle.
5. To oversee the Trust's need for impartiality by the external auditor with reference to their non-audit services, to ensure objectivity is not impaired through their delivery.

### **Reporting**

- The Audit Committee will regularly report via its Minutes to Trust Board.
- The Audit Committee will provide a written annual report to the Trust Board and the Trust's Accounting Officer that outlines the activities of the Audit Committee as they relate to the year under review and to the terms of reference of the Committee. The report will also include the Committee's opinion on the adequacy and effectiveness of the Trust's risk management, control and governance processes, and for securing economy, efficiency and effectiveness.

In addition full reports from both the external audit and internal audit will be provided to the full BDAT Board and to the Members AGM each year.