



## **Edith Stein Catholic Academy Trust - Audit and Risk Committee**

### **Terms of Reference 2022/2023**

#### **Background**

The Academies Financial Handbook requires that every Academy Trust must establish a committee, appointed by the Trust Board, to provide assurance over the suitability of, and compliance with, its financial systems and operational 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 and risk committee; or
- An existing committee whose combined remit includes the functions of an audit and risk 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 and risk committee.

The main advantage of establishing a stand-alone audit and risk committee is gaining independence, giving greater prominence to internal control, risk management and value-for-money systems – all vital concepts to the success of a Trust, ensuring that the Trust is a viable commercial business – one with the prime objective to educate its pupils well.

ESCAT's annual income will be below £50m in the short to medium term but the Trust Board have resolved to establish an Audit and Risk Committee, to provide independent oversight and scrutiny.

#### **Composition**

The Audit and Risk Committee (the “Committee”) is appointed by the Trust Board.

There shall be a minimum of four 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 staff employed by the Trust should not be members of an audit committee, however the Chief Executive Officer, in their role as Accounting Officer, and the Finance Director, in their role as the Chief Financial Officer, will normally attend meetings of the Committee. The latter will be

expected to 'coach' new members of the committee so that they can understand and discharge their responsibilities.

The 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 operations and risks.

### **Frequency of Meetings and Proceedings**

Meetings shall be held three 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.

### **Role**

The role of the Audit Committee is to maintain an oversight of the Academy Trust's governance, risk management, and internal control framework. The Committee reports its findings and recommendations to the Trust Board and the Accounting Officer as a critical element of the Trust's annual reporting requirements.

The Audit Committee will review these terms of reference and self-assess its performance against these terms of reference on an annual basis.

### **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 should describe its work in discharging its responsibilities in an Annual Report as part of the Trust's annual reporting requirements for the financial statements.

The report will 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.

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 verifier 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 verifier or the appointed external auditor
- the committee should direct the work of the Internal Verifier and agree a work programme which includes mitigation against the risk of fraud
- 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**

Part of the Audit and Risk Committee's responsibility is to ensure that there is a robust risk management strategy which enables risks to be identified, either internally or by a third-party specialist, measured, managed, monitored and reported. The Committee will undertake this requirement by:

- 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 business continuity plan and to periodically test the underlying assumptions of the plan.

### **Fraud, Theft, Irregularity and Cybercrime**

The Audit and Risk Committee are responsible for ensuring that the Academy Trust is aware of the risk of fraud, theft, irregularity and cybercrime and check that proportionate controls are put in place and that these controls are checked as part of the internal verification programme of work.

### **Other**

- consider any other matters where requested to do so by the Trust Board;
- and
- report at least once a year to the Trust Board on the discharge of the above duties.

### **Authority**

The Audit 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 cooperate with the Committee in the conduct of its enquiries.

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

Ratified: Wayne Layton (Chair of ESCAT Audit and Risk Committee)

Date: 11<sup>th</sup> October 2022