

GFM EDUCATION

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1. Purpose and delegated authority

- 1.1 The Members of GFM Education (GFM), itself a company limited by guarantee under the Companies Act 2006 and a Multi-Academy Trust (MAT) funded by the Department for Education (DfE), set the strategic aims of the Trust in accordance with the objects clauses in its Articles of Association and delegate authority to achieve these aims to a board of governors (the Board or the Trustees).
- 1.2 The Audit and Risk Committee (the ARC) receives its delegated authority from the Board and operates within the remit set out in these Terms of Reference (ToR).
- 1.3 The Board includes the Chief Executive Officer (CEO) as Accounting Officer.
- 1.4 The Board has established the ARC to provide assistance to the Trustees and, particularly, the CEO in fulfilling their legal and fiduciary obligations in maintaining the adequacy of the MAT's risk management, internal control, security and governance arrangements to ensure that its resources, both from public and internally-generated funds, are used efficiently, effectively and with probity.
- 1.5 In carrying out its role, the ARC shall adhere to the principles set out in the Statement of Recommended Practice (SORP) issued by the Charity Commission and the Academies' Financial Handbook and the Academies Financial Directive issued by the DfE and seek to deliver objective and independent assurance to the Board and to the Members as a body (the Membership).

2. Functions

- 2.1 The ARC may investigate any activity under these ToR and, within the scope of its responsibilities, may require the attendance of management and/or the presentation of any information as appropriate. The ARC has oversight and scrutiny functions that entail:
 - 2.1.1 A risk assurance function focusing on the adequacy and effectiveness of the risk management assurance framework in place.
 - 2.1.2 An internal and external audit function focusing on assurance arrangements concerning internal controls, use of resources, governance, financial reporting together with other statements required under company law or by the DfE.
- 2.2 The reporting of these functions will normally be made to the Board but in circumstances involving the implementation of the MAT's objects clauses, the required formation of the Trustee Board or other constitutional matters may be made directly and exclusively to the Membership.

3. Appointment to and membership of the ARC

- 3.1 The membership of the ARC shall be confined to Trustees who are not members of the Finance and Resources Committee (F&RC). The Board chairman, the F&RC chairman and the CEO shall not be eligible for membership but are entitled to receive notices of ARC meetings and to attend and be heard at such meetings but shall have no right to vote.

- 3.2 The ARC shall have a minimum of three and a maximum of five members and the Board shall seek to ensure these members possess the necessary skills and experience to ensure that the ARC's functions are properly fulfilled.
- 3.3 In order to perform their role effectively, members of the ARC should obtain an understanding of the detailed responsibilities of the ARC as well as the MAT's academic and non-academic activities, the assessed risks and regulatory environment under which the MAT operates.
- 3.4 In order to maintain the independence of the ARC, none of its members is permitted to sign documents on behalf of the MAT or represent it in any capacity outside the scope of these ToR.

4. Responsibilities of the ARC

4.1 Risk management

- 4.1.1 To review the adequacy of the MAT's assurance arrangements relating to the control requirements for the management of risk and corporate governance.
- 4.1.2 To review the strategic processes for risk management, control and governance as well as the production of the Governance Statement in the Annual Report and Accounts.
- 4.1.3 To challenge the framework for the identification of risk and systems for the management of risk, and advise on its content and implications.
- 4.1.4 To review, monitor and assess periodically the risks and mitigations for each strategic segment, especially of matters judged as high risk, and reporting to the Board on progress.

4.2 Internal audit

- 4.2.1 To review the appointment of internal auditors and the agreement of the scope of testing to be carried out particularly bearing in mind the risks and the assessed cost-benefits to the MAT of such testing.
- 4.2.2 To review the results of internal audit, the responses of management to the issues identified, the implementation of recommendations, assessing the effectiveness of the procedures carried out and reporting the ARC's observations to the Board.
- 4.2.3 To assess the progress against the internal audit action plan ensuring all areas of risk are considered including the frequency of testing.
- 4.2.4 Nothing in this section of the ToR should, taking account of all the circumstances, preclude internal audit testing from being carried out by MAT staff or Trustees provided the ARC is satisfied that such personnel have the skill and independence to determine and execute their procedures and to properly report their findings.

4.3 External audit

- 4.3.1 To assess annually the qualification, expertise, resources, and independence of the external auditor (the EA) taking account of relevant Ethical Standards and ensuring that the:
- provision of non-audit services does not impair the EA's independence; and,
 - the EA's engagement partner is rotated at appropriate intervals.
- 4.3.2 To review the EA's audit engagement letter particularly noting the proposed audit fee and any proposed limit on the EA's professional liability.
- 4.3.3 To discuss with the EA any changes in the regulatory and reporting environments and assess the steps taken by the EA to respond to such changes.
- 4.3.4 To review and agree with MAT management the Audit Planning Letter received from the EA, the timetable for the forthcoming audit and seeking to address and resolve any matters that might give rise to a scope limitation.

- 4.3.5 To review, make comments and suggest alterations to the draft annual financial statements to be submitted to the EA for auditing ensuring that their presentation conforms to best practice.
- 4.3.6 To receive the draft audited financial statements from the EA and considering any changes proposed by them. Reviewing the presentation and consistency of the entire reporting package including the Trustees Annual Report, the Governance and other statements required by law or regulation, the financial statements and all notes thereto including the MAT's accounting policies, and the EA's Independent Auditor's Report.
- 4.3.7 To attend as necessary any meetings with the EA to resolve difficulties or disputes and at the closing meeting. In the event that the EA is proposing to issue a modified opinion on the financial statements, the ARC shall review the issues and, if agreement cannot be reached, the ARC shall issue a statement to the Board why it considers the EA's proposed modification to be wrong.
- 4.3.8 To review the Report to Those Charged with Governance (the Management Letter) issued by the EA on matters relating to the management of risk and corporate governance, and reporting to the Board and/or the Membership as necessary.
- 4.3.9 To advise the Board concerning the appointment or reappointment of the EA including consideration of competitive tender and delivery of service provision.
- 4.3.10 In the event that the EA resigns, the ARC shall immediately consider the issues leading to this resignation and recommend to the Board and to the Membership any action considered necessary.

4.4 Generally

- 4.4.1 To meet with the internal and external auditors without executives present at least once per year.
- 4.4.2 To receive copies of reports from other internal bodies and schools' regulators that relate to any matters under this section 4 and consider the need to report on such matters to the Board.
- 4.4.3 To present an annual summary to the Board on the overall effectiveness of the MAT's control systems and reporting on processes, and its satisfaction with the performance of the internal and external auditors including value for money considerations.
- 4.4.4 Insofar as any of the MAT's financial reports have not been considered by the Board or the Finance and Resources Committee or elsewhere within these ToR, the ARC shall review them to be satisfied that they are accurate, transparent and conform to best practice.

5. Proceedings of the ARC

- 5.1 The ARC shall meet as necessary but, in any event, not less than three times per financial year (i.e. ending 31 August).
- 5.2 At its first meeting of the financial year, the ARC shall elect a Chairman. If at any subsequent meeting the Chairman is unable to be present, those in attendance shall elect a Chairman from among their number to preside for that meeting only.
- 5.3 The ARC may invite attendance of other persons (whether or not Members or Trustees) to assist or advise them on particular matters. Any costs to be reasonably incurred in this regard shall be notified to the Board for approval and be paid by the MAT. If the proposed cost is not approved, the ARC shall have the option of referring the matter to the Membership and its decision shall be final.

- 5.4 Minutes of meetings shall be maintained and shall be prepared and approved by electronic communication within 21 days of the meeting and a copy shall be sent to the Board for consideration at its following meeting.
- 5.5 The quorum shall be two Trustees and the Chairman shall have no second or casting vote. In the event of a voting deadlock the Chairman shall give an account of the circumstance to the next Board meeting and propose, with the support of the Board, a way forward.
- 5.6 The Agendas for and minutes of ARC meetings shall be prepared, presented and distributed in a similar manner to those prepared and issued for Board meetings and all matters relevant to ARC's proceedings will be recorded in them..

6. Financial presentation and risk management

- 6.1 The ARC shall keep under review the financial presentation and disclosures of the MAT's annual report and financial statements on such matters as:
 - 6.1.1 the MAT's internal financial reporting to ensure that it provides the information needed by the Board to effectively oversee the MAT's financial activities
 - 6.1.2 the content of the Trustees' Report, the Governance statement, and the Statement of Regularity, Propriety and Compliance.
 - 6.1.3 the appropriateness of the accounting policies and the effect of any changes to them;
 - 6.1.4 the judgemental and estimation uncertainties and the adequacy of their reporting;
 - 6.1.5 the disclosures pertaining to other unusual or complex transactions; and,
 - 6.1.6 compliance with applicable accounting standards including FRS 102, the SORP and the extant Academies Financial Directive.
- 6.2 The ARC shall also keep under review:
 - 6.2.1 the effectiveness of the Trust's system of internal control, objectives and key performance targets ensuring that these are attained in an economic and effective way.
 - 6.2.2 the major aspects of and changes to risk including longer-term changes such as government funding policies and demographic changes.

7. Other duties of the ARC

- 7.1 To keep under review the policies and procedures for dealing with fraud, bribery, corruption and other irregularities including misfeasance and error.
- 7.2 To keep under review the MAT's policy on whistle-blowers.
- 7.3 Reviewing the Membership's role in setting the performance requirements of the Board and the means by which these aims are communicated.