

Terms of Reference

Somerset Road Education Trust – Audit & Risk Committee

Approved at 2018/19 SRET#1, 26 September 2018 and to be reviewed annually.

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Overall Objective

The core purpose of the Audit Committee (AC) is to support the Somerset Road Education Trust (SRET) Board:

- a. To fulfil its corporate governance and overseeing responsibilities in relation to financial reporting, internal control system, risk management system and internal and external audit functions.
- b. To fulfil its legal, social and corporate responsibilities in the provision of schooling in a safe environment.

Delegated Authority

The AC is authorised by the SRET Board of Trustees to investigate any activity within these Terms of Reference and within its scope of responsibilities, to seek any information it requires and to ensure the attendance of management representatives at meetings as appropriate.

The AC is authorised to obtain external legal or independent professional advice it considers necessary, normally in consultation with the Accounting Officer and/or Chair of the Board. However, the AC may not incur expenditure in excess of £2,500 in doing so without the prior approval of the SRET Board.

Membership

The AC will consist of at least two SRET Board Trustees. Up to two external Co-opted members may also be appointed but there must always be a majority of Trustees. The Chair of the SRET Board cannot be a member of the Audit Committee

Attendance of Non-members at Meetings

The CEO/Principal, SRET Business Manager, the Chair of Trustees, other individuals with oversight responsibility and a representative of the external auditor can attend meetings at the invitation of the AC Chair. Other members of management may also be invited to attend meetings.

The AC shall meet with the external and internal auditor at least once a year without the presence of management.

Meetings

The AC will meet when required. However, meetings shall be held at least three times a year and, where appropriate, will coincide with key dates in the SRET's financial reporting cycle.

The external auditor or the Head of Internal Audit/ SRET Business Manager or the Chair of the SRET Board, may request a meeting of the Audit Committee if they consider that one is necessary.

The SRET Executive Clerk (SRETEC) shall liaise with the Chair of the Audit Committee to prepare and circulate agenda plus papers for each meeting 7 days before the AC meeting minutes will be taken by the SRETEC at each meeting. Draft minutes will be forwarded by the SRETEC to the AC Chair in time for approval of inclusion of the draft version in the following SRET Board papers in order to meet statutory requirements, to provide information to the SRET Board and to seek ratification of decision. Any member of the SRET Board may request that an item be placed on the agenda, subject to prior discussion with the AC Chair.

Terms of Reference

The AC is responsible for setting a programme of audits for SRET, ensuring that they take place, resulting actions followed through and results reported to the SRET Board. The AC's duties are incorporated into the attached Appendix.

Other Areas

For the following areas, the AC will ensure that external audits take place as per the programme of the AC and that actions are completed and reports are received by the AC.

The areas that will be included in the audit programme are:

- Finance
- Health & Safety

- Safeguarding
- GDPR
- Buildings and sites

The audit of the SRET Board effectiveness will be outside the remit of the AC.

Reporting Procedures

The minutes of AC meetings shall be circulated to all members of the SRET Board. A separate section of the Annual Report or Transparency Report (as appropriate) should describe the work of the Committee in discharging its responsibilities. 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.

The AC 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 SRET Board for approval.

Responsibilities

The responsibilities of the AC shall be:

External Audit

- a. to assess annually the qualification, expertise and resources, and independence of the external auditor, taking account of relevant ethical standards and ensuring that key partners are rotated at appropriate intervals
- b. to assess annually the effectiveness of the audit process;
- c. to review with management the audit fee and audit engagement letter and to ensure that the provision of any non-audit services does not impair the external auditor's independence or objectivity;
- d. to develop and implement a policy on the supply of non-audit services by the external auditor and to agree with management a policy on the employment of former employees of the firm's external auditor and monitor its implementation;
- e. to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- f. to make appropriate recommendations, if considered necessary, regarding the continuation of the external auditor, to oversee the selection process for new auditors and, if an auditor resigns, to investigate the issues leading to this and decide whether any action is required;
- g. to consider the need to include the risk of withdrawal of the external auditor from the market in the Committee's risk assessment process; and
- h. to review the external auditor's management letter and management's response.

Internal controls and internal audit

- a. to review the effectiveness of SRET internal control framework;
- b. to monitor and review the effectiveness of the internal audit function, to review the internal audit programme and internal auditor's reports, and to seek such assurance as it may deem appropriate that the function is independent, adequately resourced and has appropriate standing within the SRET;
- c. to consider with management the appointment of any Head of Internal Audit; and
- d. to consider management's response to any recommendations made by the external auditor or internal audit and review with internal audit and the external auditor any fraudulent or illegal acts, deficiencies in internal control or other similar issue, including reviewing the results of management's investigation and follow up of any fraudulent acts.

Risk and risk management

- a. in conjunction with presentations to the main Board of Trustee's, to regularly receive reports from those managers involved in the identification and management of risk involved in the MAT and to consider the principal risks identified by management and how they are controlled and monitored;
- b. to participate in the risk process through occasionally sending a representative to attend executive risk committees/ meetings, to determine and challenge the process and framework established by the executive for risk identification and management of risk in the MAT and to consider the effectiveness of and outputs from this process;
- c. to review annually the process for monitoring the firm's compliance with any and all agreed standards
- d. to review the status, monitoring of and procedures for dealing with troublesome matters and the insurance arrangements;
- e. to review tax compliance of the MAT;
- f. to review the firm's procedures for handling allegations from whistle blowers from time to time
- g. to review the MAT's procedures concerning the prevention and detection of fraud and financial crime; and
- h. to review the firm's arrangements for regulatory compliance and consider any material findings from regulatory reviews.

Annual financial statements

- a. to review, and challenge where necessary, the actions and judgements of management in relation to the annual financial statements, paying particular attention to:
 - 1. critical accounting policies and practices, and any changes in them
 - 2. decisions requiring a major element of judgement
 - 3. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
 - 4. the clarity of disclosures
 - 5. significant adjustments resulting from the audit
 - 6. the calculation of surplus/ deficit
 - 7. the sustainability assumption
 - 8. compliance with accounting standards and related guidance

9. compliance with other legal requirements;
 - b. to review management's statement on internal control systems prior to endorsement by the Board of Trustees, the effectiveness of the firm's internal control systems and procedures for compliance and whether management has discharged its duty to have an effective internal control system;
 - c. to review the content of the risk report which may be included in the Annual Report;
 - d. to review the letter of representation prior to management sign off; and
 - e. to review and to provide advice on whether the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the MAT's performance, the way the MAT operates and its strategy.

Other matters

- a. to review the SRET's annual Transparency and Sustainability Reports – should they be produced;
- b. to review mechanisms for informing and updating on independence issues, to receive reports on monitoring of independence and the handling of any issues relating to non-compliance;
- c. to perform other oversight functions, as requested by the SRET Board
- d. to review and approve any statement to be made by the SRET pursuant to the Modern Slavery Act 2015.