



**DISCOVERY**  
EDUCATIONAL TRUST

## **Audit and Risk Committee Terms of Reference**

Title	Audit and Risk Committee Terms of Reference
Author/Owner	Trust Board
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## **1. Introduction**

The Audit and Risk Committee (ARC) is a Committee of the Discovery Educational Trust (DET) Trust Board (TB).

The constitution, membership and proceedings of any TB Committee is determined by the Trustees.

The establishment, terms of reference, constitution and membership of any TB Committee is reviewed, at least, once in every 12 months, usually at the first TB meeting of each academic year.

The membership of any TB Committee may include persons, who are not Trustees, provided that (with the exception of the Local School Committees (LSCs)) a majority of members of any such Committee are Trustees.

Except in the case of a LSC, no vote on any matter is taken at a meeting of a TB Committee unless the majority of members of the Committee present are Trustees.

In the event of an equal division of votes, the Chair of ARC uses their casting vote. In accordance with the DET [Articles of Association](#), the Chair's casting vote is in addition to their standard vote.

## **2. Membership and Quorum**

- Four Trustees.
- Employees of DET should not be members of ARC.
- The Chair of the TB should not be the Chair of ARC.
- Quorum: Three Trustees.
- At least, one Trustee with recent financial experience is desirable, but not essential.

In attendance as appropriate:

- Chief Executive Officer (CEO)/Accounting Officer (advisory capacity only).
- Executive Headteacher (EHT)/Headteachers (HT).
- DET Chief Financial and Operations Officer (CFOO).
- Representatives of Internal and External Auditors.
- Other DET employees.

Attendees do not contribute to the quorum and do not have a vote.

## **3. Purpose**

The role of ARC is one of oversight.

- Review the overall risk profile of DET and all Schools for appropriateness.
- Monitor the risk management techniques employed at all levels within DET.

- Advise the TB on the adequacy of DET’s internal control framework, including financial (with the Finance and Resources Committee (FRC)) and non-financial controls and risk management arrangements.
- Direct a programme of Internal Scrutiny and consider the results and quality of External Audit.
- Advise the TB on audit reports and assurance activities from other bodies, for example, Department for Education (DfE) and Education and Skills Funding Agency (ESFA).

#### **4. Risk Management**

ARC reviews the effectiveness of risk management systems within key areas of DET operations and advises the TB on the adequacy and effectiveness of DET’s systems of internal control and its arrangements for risk management, control and governance processes.

- Monitoring the risk profile of DET against the Trustees’ desired risk appetite.
- Monitoring the effectiveness and output of the annual risk management process.
- Assessing the overall population of risk within the Risk Register, including any changes during the period.
- Identifying and regularly reviewing high-risk areas within the Risk Register, consideration and challenge of risk prioritisation as provided by the relevant DET employee, including discussion of any discrepancies.
- Ensuring that risk management is appropriately embedded within line management, that this process is monitored and covers the full operations and activities of DET.
- Monitoring the effectiveness of DET-wide policies.
- Receiving regular Health and Safety reports, including accident statistics, from each School.
- Ensuring that DET’s management of risks includes contingency and business continuity planning, to include the effectiveness of a Disaster Recovery and Business Continuity Plan, and to periodically test the underlying assumptions of the plan.
- Ensuring that overall responsibility for risk management, including ultimate oversight of the Risk Register, is retained by the TB, drawing on advice provided by ARC.
- Ensuring that the TB reviews the Risk Register, at least, annually.
- Producing an annual report for the TB, to include ARC’s advice on the effectiveness of DET’s risk management, control and governance processes and any significant matters arising from the work of the Financial Statements Auditor and the Internal Audit function.

#### **5. Internal Scrutiny**

Approach:

- evaluates the suitability of and level of compliance with financial controls (with FRC) and non-financial controls. This includes assessing whether procedures are designed effectively and efficiently and checking whether agreed procedures have been followed.
- offers advice and insight to the TB on how to address weaknesses in financial (with FRC) and non-financial controls, acting as a catalyst for improvement, but without diluting management's responsibility for day-to-day running of DET.
- ensures that all categories of risk are being adequately identified, reported and managed.
- takes account of the output of other assurance procedures to inform programme of work e.g. External Auditors.

Assurance providers must:

- be independent, establishing appropriate reporting lines, whereby those carrying out the checks report to ARC, which then reports to the TB.
- be objective, being undertaken by someone suitably qualified, external to the organisation and with the necessary technical expertise.
- be covered by a scheme of work agreed by ARC.
- be timely, agreeing an annual programme of work, with the programme spread throughout the year.
- include regular updates with regards to the programme of work. These must be considered at each meeting, with a review of ratings and responses and consideration given to progress on addressing recommendations.
- include an annual summary report to ARC for each year ending 31 August, outlining areas reviewed, key findings, recommendations and conclusions.

Service Delivery:

ARC must agree who performs the work and may select any of the following, but cannot use the External Auditor. ARC evaluates the quality of whichever party is used for Internal Scrutiny:

- In-house Internal Auditor;
- Bought-in internal audit service;
- Appointment of non-employed Trustee;
- A peer review by the Chief Financial Officer (CFO) of another trust.

## **6. External Audit**

Approach:

The External Audit process can support trusts by identifying areas that may require improvement. The TB, taking advice from ARC, must ensure that there is an appropriate, reasonable and timely response by DET's management team to findings by External Auditors, taking opportunities to strengthen systems of financial management and control.

ARC must:

- review the External Auditor's plan each year;
- review the Trustees' Report and Governance Statement, forming part of the Annual Report, in readiness for submission to the TB and Members for approval;
- review the External Auditor's findings with regard to non-financial matters, and actions taken by DET's managers in response to those findings;
- assess the effectiveness and resources of the External Auditor to provide a basis for decisions by DET's Members about the External Auditor's reappointment or dismissal or retendering.

Considerations may include:

- the External Auditor's sector expertise;
- the External Auditor's understanding of DET and its activities;
- whether the audit process allows issues to be raised in a timely basis and at the appropriate level;
- the quality of External Auditor comments and recommendations in relation to key areas;
- the personal authority, knowledge and integrity of the External Audit partners and their staff to interact effectively with and robustly challenge DET's managers;
- the External Auditor's use of technology.

When selecting External Auditors, DET is guided by the Academy Trust Handbook, which states that "Trusts should retender their external audit contract at least every five years...".

ARC must produce an annual report of its conclusions to advise the TB and Members, including recommendations on the reappointment or dismissal or retendering of the External Auditor and its remuneration.

Service Delivery:

- DET must appoint an External Auditor to certify whether its annual accounts present a true and fair view of DET's financial performance and position;
- the audit contract must be in writing;
- the letter of engagement must only cover the External Audit;
- the letter of engagement must allow for the removal of the External Auditors;

- the TB must notify ESFA immediately on the removal or resignation of the External Auditors.

ARC must ensure that the audited report and accounts are:

- submitted to ESFA by 31 December each year;
- published on DET's website by 31 January each year;
- filed with Companies House, under company law, by 31 May each year;
- provided to every Member (in accordance with the Companies Act);
- provided to anyone, who requests a copy.

## **7. Authority**

ARC receives its authority from the TB. All decisions made by ARC must be ratified by the TB at the TB meeting immediately following the ARC meeting at which the decision was taken.

ARC has the authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to:

- investigate any activity within these Terms of Reference.
- Seek any information that it requires from any employee. All employees are directed to cooperate with any requests made by ARC. Timescale is as specified by ARC.
- Seek relevant information from subcontractors, consultants and other third parties and consult the Internal Audit service and External Auditor as needed. Timescale is as specified by ARC.
- Obtain outside legal or independent professional advice. Such advisers may attend meetings, as necessary.
- Ensure that there are no unjustified restrictions or limitations on the work performed by the External Auditor or Internal Audit function.
- Review examinations conducted by internal agencies and any corrective action taken.
- Ensure allegations of fraud and irregularity are properly pursued.
- Convene a confidential session and exclude any, or all, participants and observers, excepting the Governance Professional.

## **8. Frequency of Meetings and Proceedings**

ARC meets, a minimum of, three times each year.

Whilst the core three meetings have the below focus, there are standing agenda items, e.g. Strategic Risk Register, at every meeting:

- Autumn:
  - Prepare the Governance Statement and Trustees’ Report.
  - Receive and review the Internal Scrutiny Report (Internal Auditors).
  - Receive and review the Management Letter (External Auditors).
- Spring:
  - Risk management and business continuity.
  - Policy review (as needed).
  - School Resource Management and Self-Assessment Checklist (SRMSAC).
- Summer:
  - Audit Planning Report to the Trustees (External Audit).
  - Agree programme of Internal Audit.

ARC also meets at such other time as the Chair of ARC deems to be appropriate.

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

In the absence of the Chair, ARC members choose an Acting Chair for that meeting from among their number. In the absence of the Governance Professional, ARC members choose a Clerk for that meeting from among their number. The CEO should not assume this responsibility.

## **9. Reporting**

The Governance Professional minutes the proceedings and resolutions of ARC. Minutes of ARC meetings are promptly circulated, following clearance by the Chair of ARC, to all members of ARC for approval. Minutes are presented and acknowledged at the next TB meeting by the Chair of ARC or another ARC member.

## **10. ARC Responsibilities for Documents and Policies**

- Anti-Bribery and Fraud Policy review and approve for noting by TB.
- Data Protection Officer (DPO) Audit Reports (per School) review and ensure completion of all actions/remediation of all issues.
- Data Protection Policy (and associated policies) review and approve for noting by TB.
- Educational Visits Policy review and approve for noting by TB.
- First Aid Policy and Health & Safety Policy review and recommend to TB for approval.
- Reporting Serious Incidents Procedure review and approve for noting by TB.
- Risk Management Strategy review and approve for noting by TB.
- Risk Register review and recommend to TB for approval.

- Single Central Record review and ensure compliance.
- Supporting Pupils with Medical Conditions Policy review and approve for noting by TB.
- Websites (per School and DET) - review and ensure compliance.
- Whistleblowing Policy review and approve for noting by the TB.

## **11.Wellbeing**

ARC ensures that, in all discussions, and for all decisions taken, the mental and physical wellbeing of all DET staff and pupils is a key factor for consideration, and that no decisions are approved where there is any doubt as to the impact on this wellbeing.