



Mercia Primary Academy Trust

Terms of Reference for the Audit Committee

Every academy must have in place a process for independent checking of financial controls, systems, transactions and risks. The new Academies Financial Handbook effective from 1 September 2019 includes a requirement for audit committees and this means that all academies must establish either:

- A dedicated audit committee; or
- An existing committee whose combined remit includes the functions of an audit committee. This could be an addition to the terms of reference to an existing committee, such as a finance committee.

Multi academy trusts with an income of over £10 million or capitalised asset value of over £30 million must have an audit committee.

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

The Mercia Primary Academy Trust has therefore resolved to establish an Audit Committee, which will operate at trust level and will provide an independent oversight and scrutiny across all of the individual academies within the trust, working in conjunction with local governing bodies.

1. Appointment and membership

The Audit Committee (the “Committee”) is appointed by the trustees of the Academy.

There shall be a minimum of three members of the Committee with any three constituting a quorum. In the event of difficulty in achieving a quorum, Directors of the company 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.

Directors of the company who are not members of the Committee may attend meetings where relevant after first liaising with the Committee Chair.

The Chair of the Committee shall be appointed by the trustees of the Academy Trust.

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 academy’s operations and risks.

The members of the Committee are:

Marion Couchman

Nicola Taylor
Christine Kendall

MAT Finance Business Manager: Rachel McConnell

2. Frequency of meetings

Meetings shall be held at least once a year and, where appropriate, will 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.

3. Role

The role of the Audit Committee is to maintain an oversight of the Academy Trust's governance, risk management, internal control and value-for-money framework. It will report its findings annually to the trustees and the Academy Board and the Accounting Officer as a critical element of the Academy 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.

4. Authority

The Audit Committee is an advisory body with no executive powers. However, it is authorised by the Board to investigate any activity within its terms of reference or specifically delegated to it by the Board, and to seek any information it requires from staff, who are requested to co-operate 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.

5. Duties

The specific duties of the Committee shall be to:

- review the Academy Trust's internal and external financial statements and reports to ensure that they reflect best practice
- monitor the integrity of the financial statements of the Academy Trust and any formal announcements relating the Academy Trust's financial performance
- consider and advise the Board on the Academy Trust's annual and long-term audit programme, ensuring that the Academy 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 with the external auditor the nature and scope of each forthcoming audit and the findings of the audit once completed
- consider all relevant reports by the Responsible Officer, any internal auditors or the appointed external auditor, including reports on the Academy Trust's accounts, achievement of value for money and the response to any management letters
- monitor the implementation of action to address adverse control findings by the Responsible Officer, any internal auditors or the appointed external auditor

- review the effectiveness of the Academy 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
- review the consistency of internal control, risk management and value for money systems across the whole trust
- review the operation of the Academy Trust's code of practice for Governors and code of conduct for staff
- consider any other matters where requested to do so by the Board; and
- report at least once a year to the Board on the discharge of the above duties.

6. Reporting procedures

Agendas will be agreed in advance by the Chair of the Audit Committee (based on, but not limited to, a pre-agreed annual schedule of activity) and papers will be circulated to members and attendees at least 5 working days in advance of the meeting.

Minutes of meetings will be taken and, once approved in draft by the Chair of the Audit Committee, shall be circulated to the members of the Academy Trust Board and the Directors of the Academy Trust

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 Academy Trust Board for approval.

7. Delivering Assurance

Academy trusts should manage their programme of risk review and checking of financial controls in the way that they deem most appropriate to their circumstances. Options include:

- The appointment of an internal audit service (either in-house, bought-in or provided by a sponsor)
- The performance of a supplementary programme of work by the trust's external auditor
- The appointment of a non-employed trustee with an appropriate level of qualifications and/or experience to check the trust's internal controls, who neither charges, nor is paid by the trust for their work. This appointment is not mandatory but is one way that trusts are able to conduct their internal checks
- A peer review, with the work being performed by the chief financial officer, or a suitably qualified or experienced member of the finance team, from another academy trust, as an independent reviewer).

The audit committee will be responsible for reviewing the risks to internal financial control and must agree a programme of work to address these risks. This may be addressed using the internal audit, external audit or peer review options.

Signed

Chair of Audit Committee

Date