

OWLCOTES MULTI-ACADEMY TRUST

Finance, Risk and Audit Committee

Terms of Reference



March 2018

Finance, Risk and Audit Committee (FRAC)

Terms of Reference

1. Terms of Reference

These terms of reference are drafted and maintained by Owlcotes Multi-Academy Trust (OMAT). The Trustees may make amendments to these terms of reference, as described in the Articles of Association.

The Terms of Reference will be reviewed annually by the OMAT board of Trustees.

In the event that amendments are made, the OMAT Board shall notify the chair of the committee and the chair of each Local Governing Board (LGB), who shall make the other Governors aware.

2. The Owlcotes Board of Trustees and the FRAC

OMAT is a charitable company limited by guarantee. It has entered into a Master Funding Agreement with the Department for Education and a Supplemental Funding Agreement in respect of the school and so it is OMAT that is ultimately responsible to the Department for Education (DfE).

The trustees are responsible for the general control and management of OMAT in accordance with the Articles of Association of the Trust. The FRAC is a sub-committee of the OMAT board of trustees and has delegated powers outlined in the 'Scheme of Delegation' document.

3. FRAC – Membership Matters

Membership of the FRAC is determined in accordance with the following:

- a) The committee will have a minimum of 3 members who will be trustees of OMAT including the Chair or Vice Chair of trustees.
- b) At least one member of the committee must have some relevant experience in finance.
- c) The meeting will be quorate if the majority of the committee is present including the committee Chair.
- d) The OMAT board of trustees will determine how often the committee will meet, but it is expected that the committee will meet once per term as a minimum.
- e) At the first meeting of each academic year the committee will elect a chair.
- f) Every matter to be decided must be determined by a majority of the votes of the trustees present - one vote per committee trustee. If a majority cannot be reached then the chair will have the casting vote.
- g) The CEO and CFO will normally attend meetings of the FRA Committee.
- h) The committee may invite persons who are not trustees to attend meetings to advise on issues. These persons will not be entitled to vote.
- i) A clerk will minute the committee meetings. These minutes will be sent to the OMAT board of trustees.
- j) The committee will conduct an annual review of its work and report the outcome to the OMAT board.

4. Purpose of the FRAC

The purpose of the FRAC is to ensure that OMAT complies with all matters of regularity, propriety, and value for money in its use of public funds.

The FRAC will ensure that all trustees on this committee have the skills, knowledge and information to assess OMAT's financial performance.

5. Specific Duties of the FRAC

5.1 Finance Roles and Responsibilities

To oversee and/or provide assurance to the OMAT board of trustees in the following areas:

- a) To develop a financial strategy for OMAT and recommend to the board of trustees policies, procedures and plans to deliver the strategy.
- b) To oversee the annual budget setting.
- c) To propose the annual budget to the Trustees and regularly report on all financial matters.
- d) To regularly monitor income and expenditure against the budget. Including reporting of any significant budget amendments.
- e) To review and monitor all policies under the scope of the Finance, Risk and Audit Committee, as delegated from the Board of Trustees.
- f) To ensure compliance with the Finance Policy; Value for Money requirements and Academies Financial Handbook and ensure that academy financial control systems are robust.
- g) To ensure the Annual Report and Accounts are produced in accordance with the Academies Financial Handbook.
- h) To approve; opening and operation of schools' bank accounts; authorised signatories; transfers between accounts; operation of credit cards; payment system controls including BACS.
- i) To review the annual report and accounts and recommend for approval to the OMAT Members and OMAT Board of Trustees
- j) To approve improvement plans and actions regarding finances and premises.
- k) To ensure a strategic financial view of income, staffing, other expenditure and capital projects.
- l) To have a strategic view regarding schools' finances through longer term financial plans and projections, including capital funding both for maintenance of existing facilities and for school improvement projects.
- m) To ensure that the schools' asset management plans are regularly updated and to monitor the progress of all maintenance and improvement works in line with the most up to date condition survey.
- n) To review and approve all 'bought in' service provision.
- o) To monitor the financial aspects of the ITT programme (School Direct and School Direct Salaried programmes) including review and approval of financial reports.
- p) To take approved reports to the Board of Trustees and report on any other matters of significance.

5.2 Audit and Risk – Roles and Responsibilities

The Finance Committee also acts as the Audit and Risk Committee for OMAT. The audit and risk committee is authorised to investigate any activity within its terms of reference or specifically delegated to it by the OMAT board of trustees. It is authorised to request information from employees, external audit and internal audit.

Staff employed by OMAT may attend meetings of the audit committee to provide information and participate in discussions, but should not be members of it, or vote when matters relating to audit are discussed. The CFO would typically attend meetings of the Audit Committee along with the CEO.

The overall requirements for the Audit Committee, as specified in the Academies Financial Handbook 2017, are:

- a) To have in place a process for checking financial systems, controls, transactions and risks
- b) To achieve internal scrutiny which delivers objective and independent assurance.
- c) To provide assurance to trustees and governors that risks are being identified and managed by:
 - i. reviewing the risks to internal financial control at the schools
 - ii. agreeing a programme of work to address, and provide assurance on, those risks
- d) To inform the trustee's governance statement that accompanies the annual accounts and, so far as is possible, provide assurance to the external auditors

Within OMAT this is achieved through internal audit and external audit. An accountancy company has been procured to provide external audit. Internal audit will be provided either by an additional accountancy company (yet to be procured) or review by a CFO from another MAT.

The FRAC will approve the annual audit plan for OMAT and report to the OMAT board on the Annual Internal Audit Report. The committee will review the draft external financial statements and reports of OMAT to ensure that they reflect best practice and are in line with the relevant accounting and reporting arrangements outlined in the Academies Financial Handbook.

5.3 Effectiveness of Financial Control

- a) To review the effectiveness of financial and other control systems
- b) To oversee the academy's policy on fraud and irregularity
- c) To ensure that all significant losses have been properly investigated and reported as appropriate, including notification to the ESFA of losses through fraud or theft in excess of £5,000
- d) To ensure capture of all business and pecuniary interests of members, trustees and senior employees
- e) To oversee the OMAT's corporate governance arrangements including the code of practice for Board of Trustees, members and code of conduct for senior staff
- f) To monitor OMAT's arrangements to secure value for money.

5.4 Risk Management

To advise the Board of Trustees on risk management by:

- a) Being familiar with the requirements of risk management
- b) Approving/ reviewing arrangements for identifying significant risks and ensuring effective risk management systems are put in place. (Further details in the risk management policy and risk register)
- c) Ensuring OMAT maintains a risk register which is updated regularly
- d) Ensuring oversight of systems to ensure the transparency of OMAT, including the whistleblowing policy and procedures and the fraud protection policy.

- e) Ensuring that LGBs have in place a relevant Health and Safety Policy at individual school level and undertake regular H&S inspections which are reported to the trustees.

5.5 Audit

- a) To consider and advise the Board of Trustees on the assessment of overall audit needs
- b) To advise the Board of Trustees on the appointment and remuneration of external auditors and the scope of their work
- c) To guide the external auditor on the nature and scope of the audit as necessary
- d) To consider and advise the Board of Trustees on external audit reports and management letters
- e) To appoint the internal auditor/ peer review by another MAT and set the overall scope of the checks
- f) To review reports from the internal auditor/ peer review on the effectiveness of the financial procedures and controls
- g) To consider and advise the Board of Trustees on peer review and/ or internal audit reports.

5.6 Other

- a) To receive and review reports relating to audit such as those prepared by the National Audit Office
- b) To prepare an annual report for submission to the OMAT Board of Trustees on the work of the committee including an opinion on the effectiveness of the internal control system and the pursuit of value for money together with an assurance on risk management

6. Financial Delegation to the Headteacher

The Headteacher shall have delegated power to undertake all functions delegated to the Governing Body relating to the funding agreement (see scheme of delegation document) except that:

- a) The Headteacher will comply with all policy directions given to them from time to time by the LGB
- b) The Headteacher will have the authority to expend all monies allocated to individual or specific items in the approved budgets without further reference to the LGB.
- c) Where no such specific item exists in the budget the HT shall not enter into any financial commitment without the consent of the LGB, or FRAC whichever is appropriate in terms of the limit of approval outlined in the scheme of delegation.
- d) The above delegation shall not apply in respect of the appointment of staff. It shall be for the Governing Body to determine the extent of the power of the Headteacher to deal with staffing matters in line with the review of the staffing structure.
- e) The Headteacher will not vire from one budget head to another or between nominal codes without the consent of the LGB or, in the case of an urgent matter, the Chair.
- f) The Headteacher will submit reports on all expenditure incurred and commitments entered into, together with details of any income generated, since the last such report to the LGB. This report should be submitted at least once each term, and on such further occasions as the LGB may specify,
- g) Any proposal to incur expenditure on new or significantly different policies is to be the subject of a report by the Headteacher to the LGB; the report must include details of cost in both the current and future years. Depending on the scale of the expenditure, this may need approval by the OMAT board of trustees in line with the Scheme of Delegation
- h) The Headteacher has the authority power to nominate the Deputy Headteacher or another named (senior) member of staff to exercise the powers of this delegation during any periods of absence.

- i) The Headteacher and any other person nominated under point (h) above shall ensure that, at all times, the funding agreement and Academies Financial Handbook have been adhered to.