

Newham Community Learning - Audit and Risk Committee: Terms of Reference

The Audit and Risk Committee is a committee of the Trust Board, and acts in accordance with these terms of reference. As a committee, it is also subject to the Leadership and Governance Decision Planner, part of the Scheme of Delegation.

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Applies to: Newham Community Learning

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1. Newham Community Learning: Audit and Risk Committee Terms of Reference

1.1. Introduction

The Trustees have the power to establish any committee to assist in the conduct of the business of the Trust. If a committee is to have decision making authority, the committee board must comprise a majority of Trustees, enabling a quorate decision to be made. Where committees consist of six trustees, and four are present at a meeting, this will enable quorate decision making.

Details of the committees established by the Trust are noted in the Trust's Structure Diagram which forms part of this Scheme of Delegation suite of documents. The Trust Board has established this committee pursuant to Article 100 (b) in the Trust's Articles of Association.

The work of the committee is supported by inputs from the Accounting Officer (the CEO of the Trust) and the CFO (Chief Financial Officer), both of which are roles that the Trust is required to have in place.

The Trust has a separately constituted Finance and Resources Committee, with its own terms of reference, which is published on the Trust website as part of the scheme of delegation.

1.2. Purpose of the Committee

The Trust Board has established the committee in order to¹:

- maintain an oversight of the Trust's financial, governance, risk management and internal control systems; and
- report findings *termly* and *annually* to the Trust Board and the Accounting Officer as a critical element of the Trust's annual reporting requirements [this will be through the minutes of the meetings of the committee and via the regular updates to the Trust's Risk Register]

The Trust has established this committee in order to ensure compliance across the areas noted above, which it has put in place in order to best manage risks to the Trust's financial and strategic objectives. Beyond ensuring compliance, the committee exists in order to monitor and challenge existing systems of controls in place to manage risk, and to make recommendations regarding improvements so that the Trust's performance in these areas continues to reflect best practice.

The core purpose of this committee is to enable the Trust Board to monitor, rate and track risks to the Trust's financial and/or strategic aims. In its management of risk, the Trust adopts the Risk

¹ As per DfE Guidance: Internal Scrutiny in Academy Trusts - March 2022

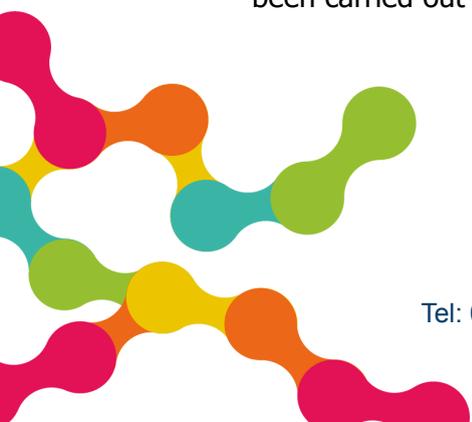
Management Framework (see [Annex A](#)) outlined in the [Orange Book: Management of Risk - Principles and Guidance](#). The committee also provides the Trust Board with the necessary assurance that programmes of internal scrutiny and external scrutiny are being carried out, as per the requirements of [Section 3](#) and [Section 4](#) respectively of the Academy Trust Handbook (September 2022).

The Trust adopts the Orange Book's principles to risk management, and the committee ensures that these principles are being followed at all levels. In brief, these are:

- *Governance and leadership* - risk management is an integral part of these functions, and fundamental to how the Trust is directed, managed and controlled at all levels;
- *Integration* - it is an integral part of all Trust activities, which supports decision-making leading to the achievement of objectives;
- *Collaboration and best information* - part of the ethos and culture of the Trust is collaboration and the adoption of best practice; this approach is adopted in the management of risk;
- *Processes* - the Trust's risk management strategy includes processes to (a) identify and assess risk, (b) select and implement the best risk treatment option to support achievement of outcomes, (c) design and operate monitoring arrangements and (d) ensure timely, accurate risk reporting (see [Annex 2](#) which details the way in which well designed reporting will enhance decision making); and
- *Continual improvement* - the Trust exists in order to improve the educational outcomes for its students. Continual improvement is part and parcel of all Trust processes.

Other key areas of work include:

- To monitor and assess the internal controls in place at both individual school and at Trust level via the oversight of a programme of internal scrutiny to ensure that risks to the Trust are being adequately addressed, and report back to the Trust Board;
- To take responsibility for internal and external audit matters, and to oversee the work programme and performance quality of the internal and external audit services;
- To support the Trust Board in ensuring that a framework is established and maintained for the identification and management of risk at school and at Trust level (including having regular sight of the Trust level Risk Register, the format of which will be followed by individual schools to facilitate the Trust's oversight work)- and to use the assessment of key risks on the Register to direct the annual programme of internal scrutiny work;
- To keep the relevant committees and the Trust Board regularly informed of the committee's activities and key decisions via the various feedback mechanisms in place and amended from time to time;
- To establish and maintain mechanisms for checking that agreed recommendations/work has been carried out as agreed;



- To ensure that all finance and funding information submitted to the DfE and the ESFA (Education and Skills Funding Agency) by the Trust and all its schools is accurate and compliant.

1.3. Authority

The Audit and Risk Committee is a Committee of the Trust Board and is authorised to investigate any activity within its terms of reference or specifically delegated to it by the Board. It is authorised to:

- recommend and/or propose key decisions that fall within its remit to the Trust Board;
- request any information it requires from any employee, external audit, internal audit, or other assurance provider; and
- obtain outside legal or independent professional advice it considers necessary, normally in consultation with the Accounting Officer and/or the Trust Board.

1.4. Reporting

The Committee will:

- communicate agenda items approved and actions agreed to the Executive Group;
- report back to the Trust Board regularly every term; and
- provide an annual summary report provided by the internal scrutineer / auditor and areas reviewed by internal scrutiny / audit covering key findings, recommendations, and conclusions
- in addition, the Chair of the committee will provide an overview of the committee's work to the final Trust Board meeting of the summer term

1.5. Constitution

This committee has been established as a committee of the Trust Board, responsible for recommending or proposing decisions to the Trust Board.

The chair will be a Trustee and will be appointed as committee chair by the Board of Trustees, taking into account the required skills and experiences required for the position and the balance of chairing responsibilities within the Trust. The chair of the committee will not chair any other committee in order to maintain a clear separation of roles - but may still sit as a *member* on other Committees of the Trust Board. The chair of the committee will not be the chair of the Board of Trustees.

The Trust's CFO (Chief Finance Officer) and COO (Chief Operating Officer) will be the key members of the operational staff who will support the work of the committee (including agenda planning and actions delivery) and who will attend all meetings, but who will not be members of the

committee. The committee may meet with the internal or external auditors without the presence of the executive.

1.6. Frequency of meetings

The committee will normally meet three times a year, scheduled to enable recommendations to be referred to the Trust Board and/or to Local Governing Bodies with minimum delay.

Additional ad hoc meetings may be arranged to deal with identified significant issues or to cope with increased workload.

1.7. Core functions

1.7.1. General

- Responsible for ensuring that the Trust Board is fully informed of all risks to the Trust's financial and/or strategic objectives, through regular review of the Risk Register and through the receipt of appropriate risk reporting (see [Annex B](#));
- Reviewing (and then recommending to the Trust Board for approval) all audit, fraud, and risk management policies and keeping them under review;
- Ensuring co-operation and co-ordination between the internal and external auditors;
- Reviewing outputs from all the Trust's assurance activities by third parties, including the Education and Skills Funding Agency (ESFA), financial management reviews, governance reviews, audits and investigations;
- Investigating any activity within its terms of reference and if necessary obtaining external legal or other independent professional advice (and being authorised to request the financial resources to do so) to enable it to properly conduct its business;
- Review any recent external scrutiny or complaint processes related to the Trust, including external inspections by Ofsted, reports from the Trust's external school improvement advisers, the Trust's log of complaints received and the Trust's key performance indicators;
- Review any legal cases (including employment tribunals) where the Trust is a party to the case;
- Health and safety management reports and estates management documentation should be made available to the committee;
- Summary reports relating to safeguarding and child protection, including being notified of any serious case review involving a Trust school, as well as any death or RIDDOR reportable incidents;
- Overview of the IT strategy of the Trust, as well as cyber security arrangements; and
- Overview of the Trust's data protection arrangements, as well as any breaches.

1.7.2. Internal scrutiny and controls

The committee will, in all its internal scrutiny activities, follow the DfE (March 2022) good practice guide to '[Internal Scrutiny in Academy Trusts](#)', which states that the work *must* focus on:

- Evaluating the suitability of, and level of compliance with, financial and non-financial controls. This includes assessing whether procedures are effective and efficient, and checking whether agreed controls and procedures have been followed;
- Offering advice and insight to the board on how to address weaknesses in financial and non-financial controls, acting as a catalyst for improvement, but without diluting management's responsibility for the day to day running of the trust; and
- Ensuring all categories of risk are adequately identified, reported, and managed

The Trust notes that the Academy Trust Handbook, therefore, requires that Trusts have effective oversight and monitoring of their internal control environment. The internal scrutiny function provides this.

The Trust's internal scrutineer will:

- give assurance,
- help the trust improve governance, risk, and control arrangements, and
- provide comfort that the leadership is doing the right things in the right way.

The committee will ensure that internal scrutiny is carried out effectively by:

- Ensuring that all policies and procedures comprehensively cover all necessary controls to permit the Trust to be managed efficiently and effectively at an appropriate level of risk;
- Ensuring, and reporting to the Trust Board, that there is a sufficient, systematic review of internal control arrangements of the Trust including individual schools, both operational - in service of the school's School Improvement Plan - (relating to effectiveness, efficiency and economy across all areas of school operations) and financial reporting controls to ensure probity and to employ reasonable measures to prevent errors;
- Monitoring the correction of weaknesses in control, reporting the action that is needed to the Trust Board;
- Using the guidance in [Section 6 of the DfE's Internal Scrutiny Guidance](#), formally appoint an individual or an organisation to lead the programme of internal scrutiny work²;
- Ensuring that the committee receives, at each meeting, an update on the progress of the programme of internal scrutiny (which should include recommendations [including those from the Trust's external auditors] to enhance, where appropriate, financial and non-financial controls in place at both the school and Trust level);

² A representative from the organisation providing internal scrutiny services will attend one meeting of this committee during the academic year

- Ensuring that at year end, it receives a Trust-wide report on all internal scrutiny activity, which should include: (a) areas reviewed, (b) key findings, (c) recommendations and (d) conclusions. Such reports may be requested by the ESFA; and
- At the relevant meeting, receiving the external auditor's final management letter, and submitting to the Trust Board an annual report of the effectiveness of the Trust's internal control environment, enabling the Trust Board to complete its annual statement of internal control.

1.7.3. External audit

- Agreeing the external audit plan each year and advising the Trust Board on the performance of the external auditors;
- Overseeing a regular process of review and renewal of the external audit contract; establishing a process of tendering for the service, and recommending a suitable appointment to the Trust Board;
- Recommending to the Trust Board the fee to be paid to the external auditor, within approved budget;
- Advising the Trust Board on its recommendation of the appointment of external auditors to be made to the Trust's Members at the Trust's AGM;
- Undertaking such detailed discussion as may be necessary with the external auditors on the draft annual accounts and the underlying accounting policies of the Trust and reporting back to the Trust Board with recommendations;
- Reviewing the audited annual financial statements before recommendation to the Trust Board for approval and presentation to the Trust's Members at the AGM (and for filing/publication as required in [Section 4](#) of the Academy Trust Handbook);
- Reviewing the external auditor's management letters, agreeing the management response, and submitting them to the Trust Board for consideration and approval and presentation to the Trust's Members at the AGM; and
- Ensuring that any recommendations to further strengthen controls are implemented and subsequently monitored to ensure effectiveness.

1.7.4. Fraud

- Receiving reports from management on all cases of fraud, attempted fraud or other irregularities, and to consider whether appropriate action has been taken and that internal controls are satisfactory; and
- Notifying the Trust Board of Trustees and the relevant Local Governing Body (if appropriate), and if necessary to notify regulators in line with regulatory guidance, of any incidence of fraudulent activity of which the committee becomes aware.

1.7.5. Risk management



The Trust Board has a clearly considered and articulated strategic approach to risk management across all its financial and strategic objectives, informed by the guidance provided in the government's [Orange Book - Management of Risk - Principles and Concepts](#) which states that:

'Public sector organisations cannot be risk averse and be successful. Risk is inherent in everything we do to deliver high quality public services. Effective and meaningful risk management.....remains as important as ever in taking a balanced view to managing opportunity and risk. It must be an integral part of decision-making.....At its most effective, risk management is about managing impacts once choices are made.' (p. 2).

Furthermore, the Trust recognises that:

'In successful organisations, risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile and to respond to the challenges faced' (p. 2).

....and thus incorporates the Orange Book's Risk Management Framework (see [Annex A](#)) into all its activities.

The Trust also recognises that as per the [Academy Trust Risk Management Guidance](#) (March 2022), risk is inherent in everything it does to deliver an excellent education to its students. Risk management is thus viewed as an essential part of governance and leadership and an integral part of business planning and decision-making processes. The Trust uses the [ICAEW four lines of defence](#) concept when considering how best to manage risk:

- *1st line of defence* – management and staff who own and manage risk on a day-to-day basis;
- *2nd line of defence* – the Trust Board who oversee the effectiveness of the risk management framework (delegated to the Audit and Risk Committee);
- *3rd line of defence* - the internal scrutiny function who provide independent assurance on the overall effectiveness of risk management and controls (and whose work is overseen by the Audit and Risk Committee, as described above); and
- *4th line of defence* - assurance from external independent bodies such as the external auditors and other external bodies.

Key tasks of the committee in its oversight of the management of risk include:

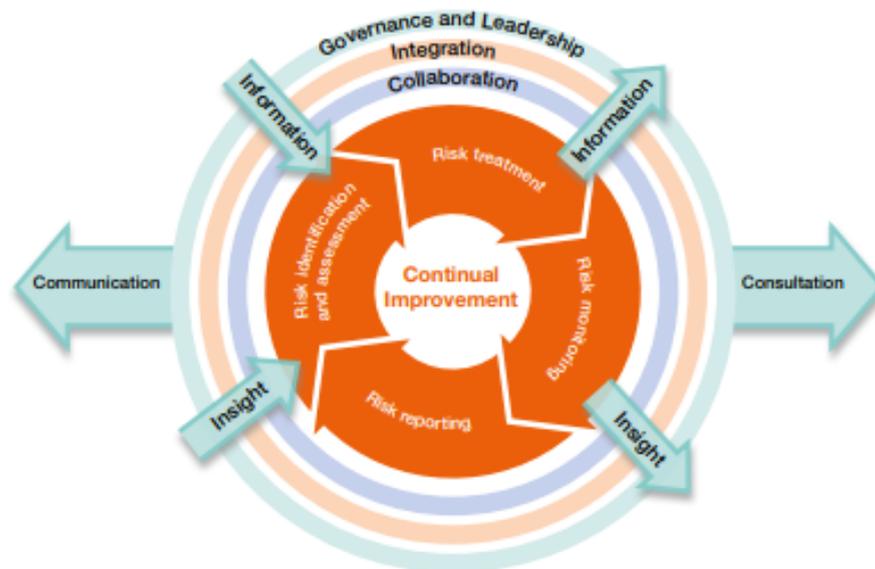
- The establishment of the Risk Register as a key adjunct to the Trust Improvement Plan - with risks associated with each objective clearly mapped and allocated a Control Measure³;

³ The Trust uses the '4 Ts' approach outlined in the ESFA guide to risk management, and notes these on the Risk Register against each risk. These are: Tolerate, Treat, Transfer, Terminate.

- Conducting termly reviews of all strategic risks to the Trust and all high operational level risks, based on the receipt of accurate and timely reporting;
- Overseeing the use of the Orange Book's Risk Management Framework across all Trust activity, via appropriate updates and reporting; and
- Ensuring that risk awareness is included in the Trust's governance development programme and that any such session is open to all Trustees, Governors, committee members and senior staff across the Trust.

1.8. Annex A - Risk Management Framework (from The Orange Book: Management of Risk - Principles and Concepts - gov.uk)

Risk Management Framework



The risk management framework supports the consistent and robust identification and management of opportunities and risks within desired levels across an organisation, supporting openness, challenge, innovation and excellence in the achievement of objectives. For the risk management framework to be considered effective, the following principles shall be applied:

- A. Risk management shall be an essential part of **governance and leadership**, and fundamental to how the organisation is directed, managed and controlled at all levels.
- B. Risk management shall be an **integral** part of all organisational activities to support decision-making in achieving objectives.
- C. Risk management shall be **collaborative and informed** by the best available information and expertise.
- D. Risk management processes shall be **structured** to include:
 - a. **risk identification and assessment** to determine and prioritise how the risks should be managed;
 - b. the selection, design and implementation of **risk treatment** options that support achievement of intended outcomes and manage risks to an acceptable level;
 - c. the design and operation of integrated, insightful and informative **risk monitoring**; and
 - d. timely, accurate and useful **risk reporting** to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.
- E. Risk management shall be **continually improved** through learning and experience.

1.9. Annex B - Risk Reporting (from the Good Practice Guide to Risk Reporting - gov.uk) - EXTRACT

2.2. To maximise the benefits of this guidance, organisations should recognise that risk reporting will best enhance decision making when:

- Objective, priorities and delivery outcomes are clearly understood across the organisation
- Effective partnership working arrangements are in place between departments, arm's length bodies and other delivery bodies
- Risk identification processes are in place to capture new and emerging risks
- Risk management is an integral element of day-to-day activities underpinned by good governance and leadership
- Risk management is conducted as a collaborative process integrated with other key governance and oversight mechanisms, including but not limited to planning and performance processes
- Risk management reporting is considered through formal governance mechanisms on a regular basis
- Robust risk analysis takes place to ensure risk causes and consequences are properly understood, and control activity is directed effectively
- The organisation has set and understands its risk appetite
- The risk culture embraces openness and clear communication, supports transparency, welcomes constructive challenge and promotes collaboration, consultation and co-operation
- There are processes in place to enable the aggregation and escalation of risks to the appropriate management level

