

# Heartlands Community Trust

## Finance and Resources Committee (including Audit)

### Terms of Reference

1. The board of trustees (the Trust Board) of Heartlands Community Trust (the Academy Trust) has established a committee of the Board to be known as the Finance and Resources Committee (including Audit) (the Committee). These are its terms of reference.

### Membership

2. The Committee will be appointed by the Trust Board and will comprise no more than five and no fewer than three members, of whom a majority will be Trustees.

3. The Board will appoint one of the members of the Committee as its Chair (the Chair). The Committee will elect a Clerk to the Committee.

### Attendance

4. The Committee may ask the Chief Executive Officer and the Finance Director and any other senior executive to attend meetings of the Committee either regularly or by invitation, to provide information.

5. The Committee will ask a representative of the external auditors and the head of internal audit to attend meetings as they consider necessary and in consultation with the representative of the external auditors. The Committee will ask the head of internal audit to attend all meetings. The Committee will have at least one annual meeting, or part of one meeting, with each of the external auditor and the head of internal audit without the senior executives being present.

### Voting

6. The quorum for each meeting shall be one half of the members of the Committee rounded up. Decisions of the Committee shall be taken by a simple majority of those present and voting. The Chair will have a casting vote on an equality of votes.

7. Where audit matters are discussed, any members who are employees of the Academy Trust must not participate as members but may remain in attendance to provide information and participate in discussions<sup>1</sup>.

### Meetings

8. The Committee shall meet termly on such dates as shall be determined by the Committee from time to time and at such other time as the Clerk shall specify at the request of any member of the Committee.

9. Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda shall be sent to each member of the Committee and any other person invited or required to attend no fewer than seven working days prior to the date of the meeting.

### Minutes

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<sup>1</sup> *Academies Financial Handbook 2018, paragraph 2.9.3*

10. The Clerk will minute the proceedings and resolutions of the Committee and ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

11. Minutes of each Committee meeting will be sent to all members of the Committee and the Trust Board within fourteen working days of the meeting.

### **Authority**

12. The Committee is authorised by the Trust Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.

13. The Committee is authorised by the Trust Board to obtain outside legal or other independent professional advice and to secure the attendance of any person at any Committee meeting with relevant experience and expertise if it considers this necessary.

### **Duties**

14. The duties of the Committee shall, *in respect of finance*, be to:

- a. develop a financial strategy for the Academy Trust and to consider policies, procedures or plans required to realise such strategy
- b. consider the Academy Trust's indicative funding, once notified by the ESFA, and to assess its implications for the Academy Trust, in consultation with the CEO and the Finance Director, in advance of the financial year, drawing any matters of significance or concern to the attention of the Trustees
- c. receive and make recommendations on the broad budget headings and areas of expenditure to be adopted each year, including the level and use of any contingency fund or balances, ensuring the compatibility of all such proposals with the development priorities set out in the Academy Trust development plan
- d. consider and recommend acceptance/non-acceptance of the Academy Trust's budget to the Trustees including determining that a proportion of the budget in respect of each school that shall be held centrally for the following reasons:
  - to be allocated to the provision of central services received by the schools
  - in pursuance of the Academy Trust's reserve policy
  - as otherwise may be determined by the Trust Board acting reasonably and in the best interests of the Academy Trust
- e. monitor any variances from the budget and ensure the ESFA is notified as required
- f. monitor and review income and expenditure on a regular basis and ensure compliance with the overall financial plan for the Academy Trust, drawing any matters of concern to the attention of the Trust Board
- g. monitor and review procedures for ensuring the effective implementation and operation of financial procedures, on a regular basis, including the implementation of bank account arrangements and, where appropriate to make recommendations for improvement
- h. have oversight of preparation of the financial statement to form part of the annual report of the Trustees

- i. ensure the Academy Trust's commercial and fundraising activities are carried out effectively and to examine and review new initiatives for financial development ensuring best/good practice is applied
  - j. oversee significant investment and capital financing decisions
  - k. approve and keep under review the Academy Trust's investment policy and reserves policy
  - l. promptly notify the Trust Board of all financial matters of which the Committee has knowledge and which may materially affect the current or future position of the Academy Trust
15. The duties of the Committee, ***in respect of audit and risk***, shall be:
- a. to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal
  - b. to discuss with the external auditor before the audit commences the nature and scope of the audit
  - c. to review the annual financial statements before submission to the Trust Board, focusing particularly on:
    - any changes in accounting policies and practices
    - areas involving a significant degree of judgement
    - significant adjustments resulting from the audit
    - the going concern assumption
    - compliance with accounting standards
    - compliance with legal requirements
    - the clarity of disclosures
    - the consistency of accounting policies from year to year
  - d. to discuss problems and reservations arising from the audit and any matters the external auditor may wish to discuss (in the absence of the management where necessary)
  - e. to review the internal audit function, consider the major findings of internal audit investigations and the management's response, and ensure co-ordination between the internal and external auditors
  - f. to keep under review the effectiveness of internal control systems, and in particular review the:
    - Academy Trust's banking arrangements (inc. delegated authority limits and names)
    - external auditor's management letter and the management's response
  - g. to develop and keep under review risk management and measurement strategies across the Academy Trust together with the procedures for monitoring the adequacy and effectiveness of those processes
  - h. to review the action and implementation of risk management policy across the Academy Trust

- i. to consider the Academy Trust's risk profile relative to current and future Academy Trust strategy and identifying any such trends, concentrations or exposures and any requirement for policy change
  - j. to receive and review risk management and relevant regulatory information and reports
  - k. to consider material breaches of the agreed risk limits, review the actions taken in response and to prevent a repeat occurrence
  - l. to consider the effect on the rights of the Academy Trust of the findings of the internal audits or the external audits
  - m. to consider and approve Academy Trust insurance arrangements
  - n. to ensure that the Register of Business Interest is kept up to date, with notification to the Trust Board that occur from time to time or through an annual review
  - o. to recommend to the Trust Board the viability of new Academy sponsorships and setting up of any free schools. This includes all due diligence and financial and risk assessments on any converting educational facility
16. The duties of the Committee, *in respect of Resources*, shall be:
- a. advise generally on the provision of resources and services to the Academy Trust, these being but not exclusively restricted to:
    - to consider and make recommendations (as appropriate) on HR, Site (inc. Health & Safety) and Information Communications Technology
    - to consider policies as appropriate to the remit of the Committee for ratification by the Trust Board, including the Academy Trust's Scheme of Delegation and Pay Policy
  - b. Undertake any other matter not falling within the remit of any other Committee.
17. In discharging its duties, the aims of the Committee are to:
- facilitate good communication between the Academy Trust and its external auditor
  - increase the credibility and objectivity of financial reporting
  - strengthen the independence of the audit function
  - improve the quality of the accounting and auditing functions
18. The Committee will review, on a regular basis, its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.

**Adopted by the Trust Board: 3 April 2019**

**Proposed date of review: April 2020**

## Finance and Resources committee – Annual Cycle of Business

Item of Business		Autumn Term 1 (November)	Spring Term 2 (March)	Summer Term 3 (June)
Finance	Annual Report and Financial Statements (inc. Asset Register review, Pensions update)	✓		
	Impairment Review			✓
	Budget Update		✓	✓
	Management Accounts	✓	✓	✓
	Six month forecasts to end of year		✓	
Risk	Risk Management	✓		✓
	Review Annual Audit Plan/Programme			✓
	Register of Business Interest	✓		
Resources	HR: update	✓	✓	✓
	Equality and Diversity: annual report			✓
	Health and Safety: Annual Report			✓
	Site Strategy update (inc. report on Lettings/Fundraising)		✓	
	ICT Strategy update			✓
Governance	Terms of Reference Review			✓

*Note: This schedule details the timing of the regular business. It does not include all other, irregular business of the Committee*