

# **British Council Board**

## **Audit Committee: Terms of Reference**

## Contents

|                                |   |
|--------------------------------|---|
| Role and Responsibilities..... | 3 |
| Authorities .....              | 3 |
| Reporting .....                | 4 |
| Constitution .....             | 4 |
| Membership and Selection ..... | 4 |
| Members of the Committee:..... | 5 |

## Role and Responsibilities

1. The Audit Committee is a sub-committee of the Board of the British Council. On behalf of the Board it maintains an overview of risk, control and governance in the Council, ensuring that the system of internal controls is satisfactory to deliver regulatory compliance, financial probity and value for money. The Committee is not responsible for maintaining the risk and control environment, but holds the executive to account for this by reviewing the comprehensiveness of assurances established to meet the Board and Chief Executive's assurance needs. The Committee has a wide scope of influence, extending to all financial and business activities of the Council in respect of their remit.

2. The Committee's responsibilities are:

### a) Risk Management

- To review the Council's risk management process: to ensure the process for arriving at top level risks is adequate and to review major risks annually. The executive is responsible for the detail of the risk process.
- To ensure the resultant risk analysis directs the work of the internal audit function.

### b) Internal controls

- To monitor and review the Council's systems of internal controls, both financial and non financial.
- To form an opinion on the adequacy of those controls, such that the Committee can provide reassurance on this to the Board when recommending the annual accounts for approval and the Statement on Internal Control.

### c) Financial reporting

- To review the Council's accounts for compliance with regulatory and financial reporting requirements, including the Charities Act and Treasury Guidance where appropriate.
- To recommend the annual accounts to the Board for approval.

### d) External audit

- To review the activities, findings, conclusions and recommendations of the NAO
- To monitor action taken against those recommendations.

### e) Internal audit

- To examine the way in which the Council delivers Internal Audit, particularly in respect of effectiveness, efficiency and quality.
- To approve the annual audit programme and ensure it reflects the risk framework, and supports the Chief Executive's and Trustees' responsibilities in the areas of regulatory compliance, financial probity and value for money.
- To review the summary results of the Internal Audit work, and monitor that adequate action is taken on the findings.
- To review ad hoc reports of significant findings from the Head of Internal Audit
- To review the amount and adequacy of resources allocated to the Internal Audit function.
- To review the adequacy of anti-fraud, whistle-blowing and special investigations arrangements.

## Authorities

3. The Audit Committee relies on the executive to implement recommendations. Its authorities therefore reflect its prime role in monitoring and investigation in order to hold the executive accountable. The Committee has the following authority:

- a) To have full access to all information and staff in the Council. It may delegate this right to Council staff.
- b) To have full access to any third party advisor it may request
- c) To co-opt additional members to provide specialist skills, knowledge and experience
- d) To approve the appointment of the Head of Internal Audit, and his / her dismissal where necessary. They will also approve the appointment of any significant third party contracted in this field.
- e) To approve the external audit fee payable to the NAO.

4. In addition to the authorities of the Committee, the Chair has the right of direct access to the NAO.

## Reporting

5. The Audit Committee shall report to the Board at the next Board meeting.
6. The Committee shall formally report annually to the Board on the work of the Committee, to support the finalisation of the accounts, the Statement of Internal Control and to confirm its opinion on the adequacy of the system of internal controls.
7. The Committee will also perform periodic reviews of its own effectiveness and report this to the Board.
8. The Chair of the Audit Committee has direct access to the Chair of the British Council for ad hoc reporting if required.

## Constitution

9. The Audit Committee is a permanent sub-committee of the Board. The Committee will consist of at least three members, and at most 5 members. All members of the Committee must be members of the British Council. In addition, the Chair must be a Trustee of the Council (member of the Board of the British Council), as must a minimum of one other member.
10. The quorum will be two members, one of whom must be a Trustee of the Council. The Committee will meet regularly and normally three times a year. The Chair may call an additional Audit Committee meeting at any time. The Committee may request the presence of any other official of the organisation to attend to assist it with its discussions on any particular matter.
11. As the Accounting Officer, the Chief Executive is responsible to the Foreign Office and Parliament for the financial affairs of the Council. In order to properly execute his responsibilities, he attends and participates in all Audit Committee meetings as an ex-officio member.
12. The Secretary to the Board shall also be secretary to the Audit Committee.
13. Unless otherwise requested, Director Resources and the Head of Internal Audit will be expected to attend Committee meetings.
14. The Committee may invite other people to attend meetings, including representatives of the National Audit Office.

## Membership and Selection

15. All members shall be appointed by the Board of the British Council, and shall be Members of the Council. Members will be independent of management and free of any factor which might interfere with the exercise of independent judgement.

16. Members shall be selected such that the Committee as a body has a broad range of skills and experience appropriate to its responsibilities. In addition to an understanding of the Council's objectives, policies and strategy, members will require skills and experience in the following areas:
- Significant financial and business management
  - Auditing in large and complex organisations
  - Corporate governance including recent best practice
  - Strategic management of IT
  - Financial Accounting.
17. Where possible, and without compromise to the balance of skills, the composition of the Committee should be such so as to achieve a reasonable balance in terms of gender, age and ethnicity.

### Members of the Committee:

|                      |   |
|----------------------|---|
| <b>Chair</b>         | Alan Buckle ( <i>Trustee</i> )  |
| <b>Member</b>        | Roger Chovil ( <i>Co-opted</i> )<br>Claire Ighodaro ( <i>Trustee</i> )<br>Tim O'Shea ( <i>Trustee</i> ) |
| <b>In attendance</b> | Martin Davidson CEO<br>Bidesh Sarkar, Director Resources<br>Andy Mackay, Secretary                      |

*Approved by the Board of Trustees, 1<sup>st</sup> April 2008*