AUDIT AND FINANCE COMMITTEE: TERMS OF REFERENCE
Approved by the Board of Trustees on 3 July 2018

Role and responsibilities

1. The Audit and Finance Committee is a sub-committee of the Board of Trustees (hereafter referred to as the Board) of the British Council.

1.1 On behalf of the Board it maintains an overview of the British Council’s financial risk management and governance processes across the British Council group, ensuring that the system of internal financial control is satisfactory to deliver regulatory compliance, financial probity and value for money. It also reviews and challenges financial plans and performance including investment, in the interest of the long term financial viability of the British Council. The Committee is not responsible for maintaining the organisation’s financial 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 British Council group in respect of its remit.

2. The Committee’s responsibilities are:

2.1. Risk Management
   2.1.1. To ensure the British Council’s risk analysis directs the work of the internal audit function. The executive is responsible for the detail of the risk process.

2.2. Internal controls
   2.2.1. To monitor and review the British Council’s systems of internal controls.
   2.2.2. 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 and the governance statement for approval.

2.3. Financial reporting
   2.3.1. To review the British Council’s accounts for compliance with regulatory and financial reporting requirements, including the Charities Act 2011 and HM Treasury guidance where appropriate.
   2.3.2. To review the accounting policies adopted by the British Council.
   2.3.3. To recommend the annual accounts to the Board for approval.

2.4. External audit
   2.4.1. To review the activities, findings, conclusions and recommendations of the National Audit Office (NAO), the external auditor of the British Council charity and group accounts, and of the external auditor(s) of the separate legal entities within the British Council group.
   2.4.2. To monitor action taken against audit recommendations.
   2.4.3. To review the approach adopted by the external auditors and identify opportunities to enhance the efficiency of the external audit process.

2.5. Internal audit
   2.5.1. To examine the way in which the British Council delivers internal audit, particularly in respect of effectiveness, efficiency and quality.
   2.5.2. To approve the annual internal audit programme and ensure it reflects the risk
framework, and supports the Chief Executive’s and Trustees’ responsibilities in the areas of corporate governance, regulatory compliance, financial probity and value for money.

2.5.3. To review the summary results of the internal audit work, and monitor that adequate action is taken on the findings.

2.5.4. To review ad hoc reports of significant findings from the Director, Internal Audit and Risk.

2.5.5. To review the amount and adequacy of resources allocated to the internal audit function.

2.5.6. To review the adequacy of counter-fraud, whistle-blowing and special investigations arrangements.

2.6. Financial governance

2.6.1. To review the financial and investment plans of the organisation and related performance.

2.6.2. To examine the underlying risks in these plans and make recommendations to the Board accordingly.

2.6.3. To review the processes, mechanisms and reporting structure in place for managing financial planning and performance.

Authority

3. The Audit and Finance Committee has the following authority:

3.1. To have full access to all information and staff in the British Council. It may delegate this right to British Council staff.

3.2. To have full access to any third party advisor it may request.

3.3. To approve the appointment of the Director, Internal Audit and Risk, and his/her dismissal where necessary. The committee will also approve the appointment of any significant third party contracted in this field.

3.4. To hold an exit interview with the Director, Internal Audit and Risk on his/her resignation.

3.5. To hold an exit interview with the Chief Financial Officer on his/her resignation.

3.6. To approve the external audit fees.

3.7. To approve the British Council group’s policy on the provision of non-audit services.

3.8. To approve the appointment of, and the group policy on, the external auditors of the British Council group’s subsidiaries.

3.9. To approve the internal audit charter.

4. The Chair of the Committee has the right of direct access to the external auditors.

5. The Audit and Finance Committee relies on the executive to implement recommendations

Reporting

6. The Chair of the Audit and Finance Committee or in his/her absence, another trustee member of the Committee shall report to the Board at the next Board meeting.

7. The Committee shall formally report annually to the Board on the work of the Committee to support the finalisation of the accounts and the governance statement and to confirm its opinion on the adequacy of the system of internal controls.

8. The Committee will also perform periodic reviews of its own effectiveness and report this to the Board.

9. The Chair of the Audit and Finance Committee has direct access to the Chair of the British Council for ad hoc reporting if required.

10. Minutes of Audit and Finance Committee meetings, once agreed with the members of the Committee, are available to other members of the Board on request.
Constitution

11. The Audit and Finance Committee is a permanent sub-committee of the Board. It will consist of at least three members. The Chair of the Committee and at least one other member must be Trustees of the British Council. The Chair of the Committee will be appointed by the Board.

12. The Committee may co-opt additional members to provide specialist skills, knowledge and experience subject to those appointments being approved by the Board of the British Council. Co-opted members will be appointed for a term of three years. The term may be renewed once subject to approval by the Board of Trustees.

13. If the person appointed by the Board as Chair of the Committee is unable to attend a meeting, he/she may nominate another Trustee on the Committee to chair that meeting.

14. The quorum will be two members, one of whom must be a Trustee of the British Council.

15. The Committee will meet as regularly as the Chair judges appropriate and normally at least three times a year. The Chair may call an additional Audit and Finance 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.

16. As the Accounting Officer, the Chief Executive is accountable to the Foreign and Commonwealth Office and to Parliament for the financial affairs of the British Council. In order to properly execute these responsibilities, the Chief Executive is invited to attend and participate in all Audit and Finance Committee meetings.

17. The Secretary to the Committee shall be the Secretary to the Board or another member of British Council staff as agreed by the Secretary to the Board and the Chair of the Audit and Finance Committee.

18. The Chief Financial Officer and the Director, Internal Audit and Risk will be expected to attend Committee meetings.

19. The Committee may invite other people to attend meetings, including representatives of the external auditors.

Membership and selection

20. All Audit and Finance Committee members shall be appointed by the Board of the British Council.

21. Audit and Finance Committee members will be independent of British Council management and free of any factor which might interfere with the exercise of independent judgement. As a result, neither members of staff of the British Council group, nor its external auditors, are eligible to be members of the Committee although they may be invited to attend meetings.

22. Members shall be selected such that the Committee as a body has a broad range of skills and experience appropriate to its responsibilities, covering all aspects of financial governance, risk management and internal control. In addition to each member bringing an understanding of the British Council’s objectives, policies and strategy, at least two members of the Committee should have recent and relevant financial experience.

23. 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.

Review of these terms of reference

24. The Audit and Finance Committee will review its terms of reference annually and will recommend any necessary changes to the board.