



# Conservatoire for Dance and Drama

## Audit Committee

### Terms of Reference

#### **Establishment**

The Board of Governors has established a committee of the Board of Governors known as the Audit Committee.

#### **Membership & Attendance**

Members of the Audit Committee shall be appointed by the Board of Governors upon the recommendation of the Nominations Committee. In accordance with CDD's Articles of Association, membership of the Audit Committee shall comply with requirements and guidance issued from time to time by the Office for Students (or any successor thereto).

There shall be at least three members of the Audit Committee, each of whom shall be an Independent governor and must have no executive responsibility for the management of the Conservatoire. At least one member should have recent relevant experience in finance, accounting or auditing. The Audit Committee may, if it considers it necessary or desirable, co-opt members with specific expertise.

Membership of the Audit Committee shall exclude:

- Members of the Finance Committee; and
- The Chair of the Board of Governors.

The Head of Institution, the Head of Finance, the internal auditor and a representative of the external auditor shall normally attend meetings where business relevant to them is to be discussed. However, at least once a year the Audit Committee should meet with the External and Internal Auditors without any officers being present.

Only members of the Committee have the right to attend Committee meetings. Members of staff and/or Principals of CDD Member Schools may be invited to attend for all or any part of any meeting of the Committee from time to time, and to provide such information and reports as the Committee may request in order to comply with its obligations.

Individuals who are not members of the Committee may be asked to leave the room before discussion of any confidential matters or matters where they may be a conflict of interest.

#### **Chair**

The Chair will be appointed by the Board of Governors upon the recommendation of the Nominations Committee who shall confirm that s/he has the requisite skills and expertise to serve in such capacity. Members of the Committee may appoint from the membership of the Committee a deputy chair.

**Secretary**

The Audit Committee is serviced by the Clerk to the Board of Governors.

**Quorum**

Any meeting of the Audit Committee will be quorate when at least two members are present.

**Frequency of meetings**

The Committee shall meet at least three times a year. The External Auditor or Internal Auditor may request a meeting if they consider it necessary.

**Notice of Meetings**

Meetings of the Committee shall be called by the Secretary at the request of the Chair of the Committee.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with the agenda of items to be discussed, shall be forwarded to each member of the Committee, and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

**Minutes of Meetings**

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

**Remit**

The Audit Committee is authorised by the Board of Governors 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 co-operate with any request made by the Audit Committee.

**Duties**

The Audit Committee will review the audit aspects of the draft annual financial statements. These aspects will include the External Audit Opinion, the Statement of Responsibilities of Members of the Boards of Governors, the Statement of Internal Control and any relevant issues raised in the External Auditor's Management Letter. The Audit Committee will confirm with the Internal and External Auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the Board of Governors.

Additional duties of the Audit Committee shall be to:

1. Advise the Board of Governors on the appointment of the External Auditor, the audit fee, the provision of any non-audit services by the External Auditor, and any questions of resignation or dismissal of the External Auditor;
2. Discuss with the External Auditors, before the audit begins, the nature and scope of the audit;
3. Discuss with the External Auditor any problems and reservations arising from the interim and final audits, including a review of the management letter, incorporating management responses, and any other matters the External Auditor may wish to discuss (in the absence of management where necessary);

4. Consider and advise the Board of Governors on the appointment and terms of engagement of the Internal Audit Service (and the head of internal audit if applicable), the audit fee, the provision of any non-audit services by the Internal Auditor, and any questions of resignation or dismissal of the Internal Auditor;
5. Review the Internal Auditor's audit risk assessment, strategy and programme; consider major findings of internal audit investigations and management's response; and promote co-ordination between the Internal and External Auditors. The Audit Committee will ensure that the resources made available for internal audit are sufficient to meet the Conservatoire's needs (or make a recommendation to the Board of Governors as appropriate);
6. Monitor and review the effectiveness of the institution's entire risk management, control and governance arrangements, including compliance with the Office for Students, and review the External Auditor's management letter, the Internal Auditor's annual report, and management responses;
7. Monitor the implementation of agreed audit-based recommendations, from whatever source;
8. Keep under review the effectiveness of arrangements for the management and quality assurance of data;
9. Ensure that all significant losses have been properly investigated and that the Internal and External Auditors, and where appropriate the Office for Students, have been informed;
10. Oversee the Conservatoire's policy on fraud and irregularity, including being notified of any action taken under that policy;
11. Satisfy itself that suitable arrangements are in place to ensure sustainability and promote economy, efficiency and effectiveness (value-for-money);
12. Receive any relevant reports from the National Audit Office (NAO) and its equivalents in Scotland, Wales and Northern Ireland, the funding councils and other organisations;
13. Monitor annually the performance and effectiveness of the External and Internal Auditors, including any matters affecting their independence and objectivity, and make recommendations to the Board of Governors concerning their reappointment, where appropriate;
14. Consider elements of the annual financial statements in the presence of the External Auditor, including the Auditor's formal opinion, the statement of responsibilities of members of the board of governors and the statement of internal control, in accordance with the Office for Students's accounts directions; and consider the transparency and openness of reporting throughout the financial statements;
15. Oversee the provider's policies related to ethical and other behaviours, including whistleblowing, anti-bribery, material adverse or reportable events, fraud and irregularity etc. - including being notified of any action taken under these policies
16. In the event of the merger or dissolution of the Conservatoire, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

### **Reporting procedures**

The Chair of the Committee will report to the Board in writing on the Committee's proceedings after each meeting on all matters within its remit and duties. Written reports will be circulated to all members of the Board of Governors.

The Committee shall make whatever recommendations to the Board it deems appropriate on any matter within its remit where action or improvement is needed.

The Audit Committee will prepare an annual report covering the Conservatoire's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Board of Governors and Accountable Officer (Head of Institution) and will summarise the activity for the year. It will give the Audit Committee's opinion of the adequacy and effectiveness of the institution's arrangements for the following:

- Risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts);
- Economy, efficiency and effectiveness (value for money);
- Management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company (SLC), the Office for Students (OfS) and other bodies.

This opinion should be based on the information presented to the Audit Committee. The Audit Committee's annual report will be submitted to the Board of Governors before the members' responsibility statement in the annual financial statements is signed.

#### **Other Matters**

The Committee shall:

1. Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and Clerk for assistance as required;
2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
3. Give due consideration to laws and regulations, the provisions of the Higher Education Code of Governance (CUC; September 2020) and any other applicable rules, as appropriate;
4. Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness; and
5. Recommend to the Board for approval any changes to the Committee's remit or membership it considers necessary to improve or enhance its effectiveness.

#### **Authority**

The Audit Committee is authorised by the Board of Governors to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the Head of Institution and/or Chair of the Board of Governors. However, it may not incur direct expenditure in this respect in excess of £2,500 without the prior approval of the Board of Governors.

*[These terms of reference are based on the Committee of University Chairs model terms of reference for audit committees]*

*Approved: October 2021*