

# AUDIT AND RISK COMMITTEE

## TERMS OF REFERENCE 2020/21

**PARENT BODY:** Council

**PURPOSE:** The London School of Hygiene and Tropical Medicine (LSHTM) Council has established a Committee of the governing body known as the Audit and Risk Committee. It is the role of the Audit and Risk Committee to advise and assist the governing body in respect of the entire assurance, control and risk environment of the institution.

The Committee oversees LSHTM's arrangements for external and internal audit, financial control and risk management, providing assurances in these key areas through its annual report to Council, which is shared with the Office for Students (OfS) and by request with Research England.

The Committee is authorised by the governing body to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and employees are directed to co-operate with any request made by the Committee.

### 1. External and Internal Audit

- 1.1. To make recommendations to Council (at least annually) on the appointment of external and internal auditors and annual audit fees, and advise on any questions of resignation or dismissal of the auditors.
- 1.2. To commission a competitive tendering process:
  - for external audit services at least every 7 years; and
  - for internal audit services at least every 5 years.
- 1.3. To oversee external and internal audit services by:
  - promoting co-ordination between external and internal audit services;
  - providing input to, and approving, an annual external audit strategy, the internal auditor's strategy and annual programme of work including the number of audit days;
  - reviewing reports and recommendations from the external and internal auditors;
  - reviewing the adequacy and implementation of the Executive response;
  - receiving and considering an annual report from the Head of Internal Audit;
  - approving the policy on the engagement of the external and internal to supply non-audit services;
  - reviewing annually the performance and effectiveness of external and internal auditors, including any matters affecting their objectivity, and making recommendations to the governing body concerning their reappointment, where appropriate; and
  - Investigate any issues in the event of an auditors resignation or removal and consider whether any action is required.
- 1.4. To review the draft annual financial statements with the external auditors and recommend their adoption by Council following satisfactory resolution of matters raised, including:
  - reviewing the management letter incorporating management responses;
  - reviewing the audit aspects of the institution's financial statements, including the audit report, the statement of governors' responsibilities, and the statement of internal control

- seeking assurance that the Financial Statements have been prepared in accordance with OfS's Accounts Direction and that the accounting policies and judgments are appropriate; and
- discussing any other matters the external auditors may wish to raise related to findings of the interim and final audits (in the absence of management where necessary).

## 2. Financial Control and data assurance

2.1 To review the adequacy and effectiveness of the Executive's systems for:

- management and quality assurance of external data returns;
- financial control;
- obtaining value for money; and
- responding to alleged financial irregularities.

2.2 To note *the Executive Annual Value for Money report* (following its review by Finance & Development Committee)

2.3 In relation to alleged financial irregularities:

- to receive regular reports from the internal auditors and the Executive on reports received, investigations conducted and action taken; and
- to obtain assurances that any significant losses have been appropriately disclosed and (where appropriate) reported to the OfS and other external bodies.

## 3. Risk Management

3.1 To review the effectiveness of mechanisms operated by the Executive for identifying, assessing and mitigating risks (including, where appropriate, mitigation by insurance).

3.2 To regularly consider the current status of core risks to the LSHTM Strategy, through the review of data and documents presented by the Executive and derived from the Strategic Risk Register.

3.3 To review periodically Faculty, Unit and professional service risk registers.

3.4 To periodically test scores and controls in selected areas of activity through consideration of specific reports.

3.5 To review the OfS's Annual Institutional Risk Assessment.

3.6 To approve/recommend to Council policies on fraud, anti-bribery, whistleblowing receive regular reports from the Executive on cases.

## 4. Other matters

4.1 To receive internal annual reports on the following:

- Research Governance and Scientific Misconduct;
- Safety;
- Data quality and governance; and
- Legal and statutory compliance.

4.2 To consider any relevant reports from the National Audit Office, OfS, funders and other organisations and monitor the implementation of agreed recommendations arising from these reports;

4.3 In the event of the merger or dissolution of LSHTM, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

## 5. Committee evaluation

5.1 To review the Committee's effectiveness and the suitability of its terms of reference annually.

## COMPOSITION

### Membership:

All members of the Audit and Risk Committee and its Chair shall be appointed by the governing body, from among its own members, and must consist of members with no executive responsibility for the management of the institution. The Committee may, if it considers it necessary or desirable, co-opt members with relevant expertise.

There shall be:

- No less than three (and no more than four) external members of Council, one of whom will be the Chair of the Committee.
- Up to four co-opted members who are external to LSHTM and have relevant expertise.

The quorum is

- at least two independent members of Council; and
- a majority of independent members (including co-opted members) in attendance.

The Chair of Council and Chair of the Finance and Development Committee are not members of the Audit and Risk Committee. Members should not have significant interests in the institution and at least one member should have recent relevant experience in finance, accounting or auditing.

## MODE OF OPERATION

Audit and Risk Committee meets at least four times per year.

The head of internal audit and a representative of the external auditors shall normally attend meetings where business relevant to them is to be discussed. Members of the Senior Leadership Team, the Director of Finance and Deputy Director of Finance normally attend meetings of the Committee. The Committee has the right, whenever it is satisfied that this is appropriate, to go into confidential session and exclude any or all other participants and observers other than the Audit and Risk Committee Secretary.

The Committee holds an *in camera* meeting with the representatives of internal and external audit on at least one occasion per year.

The External or Internal Auditors may request a meeting if they consider it necessary.

The Committee will prepare an annual report covering the institution's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Council and the Director and be presented at the Council meeting when the Financial Statements are considered, summarising the activity for the year, and providing an opinion on the adequacy and effectiveness of the institution's control arrangements as required by the OfS Terms and conditions of funding for higher education institutions. This opinion will be informed by

- the work carried out by Internal Audit during the year
- the External Audit
- assurances and reports from the Executive
- any reports from OfS, National Audit Office (NAO) or other regulators & funding bodies
- work commissioned by the Committee itself.

The Audit & Risk Committee will ensure that the resources made available for internal audit are sufficient to meet the institution's needs (or make a recommendation to Council where significant additional funding is required);

The Committee may obtain outside legal or other independent professional advice and secure the attendance of non-members with relevant experience and expertise. It may not incur expenditure in excess of £20,000 excluding VAT without the prior approval of Council.

The Audit and Risk Committee Terms of Reference were approved by Council on 11 November 2020.