



AUDIT & RISK COMMITTEE TERMS OF REFERENCE

1. CONSTITUTION

The Committee was constituted at a full meeting of the Registered Members held on 9 May 2016 in accordance with the articles of association of the Architectural Association (Inc.) and amended on 12 June 2017.

2. DUTIES AND TERMS OF REFERENCE

- 2.1 The Audit & Risk Committee shall have responsibility for monitoring the integrity of the financial affairs of the Architectural Association, including revenue and voluntary income and/or benefit.
- 2.2 The Committee shall advise Council on the financial and non-financial risk appetite of the organisation, and ensure that the views of Council and management are aligned with regard to the appetite for risk.
- 2.3 The Committee shall monitor the integrity of the financial statements of the company, including its annual report, and any other formal announcement relating to its financial performance.
- 2.4 On behalf of Council, the Committee shall have authority to review, monitor and challenge where necessary:
 - (a) The consistency of, and any changes to, accounting policies both on a year on year basis and across the Architectural Association and its group;
 - (b) The consistency of, and any changes to, data use, collection and storage policies across the Architectural Association and its group;
 - (c) The methods used to account for significant or unusual transactions where different approaches are possible;
 - (d) Whether the company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
 - (e) The clarity of disclosure in the company's financial reports and the context in which statements are made;
 - (f) All material information presented with the financial statements, such as the business review/operating and financial review and any corporate governance statements (insofar as they relate to audit and risk management); and
 - (g) The implementation of agreed audit-based recommendations, from whatever source.
- 2.5 If the Committee is not satisfied with any aspect of the Architectural Association's financial reporting, data collection, risk management, or risk reporting, it shall report its views to the

Council.

- 2.6 Where requested by the Council, the Committee should review the content of the annual report and accounts and advise the Council on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for all stakeholders to assess the Architectural Association's performance, business model and strategy.
- 2.7 The Committee's general responsibilities shall be to:
- (a) Keep under review the adequacy and effectiveness of the Architectural Association's internal financial controls and internal control and risk management systems;
 - (b) Review and approve the statements to be included in the annual report concerning internal controls and risk management;
 - (c) Oversee the AA's Whistle-blowing, Anti-bribery and other policies regarding fraud and irregularity, including being notified of any action taken under these policies;
 - (d) Oversee the AA's Data Protection policy and other policies regarding the collection, use and safe-keeping of data;
 - (e) Satisfy itself that suitable arrangements are in place to promote economy, efficiency and effectiveness; and
 - (f) Review the adequacy and security of the AA's arrangements for its employees, contractors, and other stakeholders to raise concerns, in confidence, about possible financial or ethical wrongdoing, and to ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
- 2.8 The Committee's responsibilities regarding the AA's financial reporting shall be to:
- (a) Advise the Council on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors;
 - (b) Discuss with the external auditors, before the audit begins, the nature and scope of the audit;
 - (c) Discuss with the external auditors 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 auditors may wish to discuss (in the absence of management where necessary);
 - (d) Ensure that all significant losses have been properly investigated and that the auditors and all relevant stakeholders have been informed; and
 - (e) In the event of the merger or dissolution of the institution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

2.9 The Committee's responsibilities regarding the AA's risk management and risk reporting shall be to:

- (a) Review the organisation's risk assessments, strategy and programme, and to consider the major findings of departmental risk assessments and management's proposed response to and handling of identified risks. The Committee will ensure that the resources made available for the investigation and assessment of risks are sufficient to meet the institution's needs;
- (b) Ensure that appropriate controls and plans to mitigate risk are in place and rigorously followed;
- (c) Determine any need for independent internal audit of significant risk areas and recommend to Council the appointment of internal auditors; and
- (d) Keep under review the effectiveness of the AA's risk management, control and governance arrangements, and in particular review the external auditors' management letter, the internal auditors' annual report and management responses.

2.10 The Committee's responsibilities regarding the appointment of auditors shall be to:

- (a) Monitor annually the performance and effectiveness of any auditors appointed, including any matters affecting their objectivity, and make recommendations to the Council concerning their reappointment, where appropriate; and
- (b) Consider and advise the Council on the appointment and terms of engagement of auditors, audit fees, the provision of any non-audit services by the auditors, and any questions of their resignation or dismissal.

2.11 The Committee shall:

- (a) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and senior staff of the Architectural Association for assistance as required;
- (b) 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;
- (c) Give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code, and relevant portions of the Charities Act and related Charity Commission advice as appropriate;
- (d) Oversee any investigation of activities that are within its terms of reference;
- (e) Arrange for periodic review of its own performance and, at least once a year (ideally at the start of each year), review its constitution and terms of reference to ensure it is operating at maximum effectiveness, and recommend any changes it considers necessary to the Council for approval; and
- (f) Keep under review and revise as appropriate other policies not specifically dealt with in other Committees.

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

2.13 The Committee shall consider such other matters as may be requested by the Council.

3. MEMBERSHIP

3.1 The Council shall appoint the members of the Committee and its Chair the first meeting of each Council Session, and as may be needed at other times in the year.

3.2 The Committee shall have at least three members who are elected members of the Council, and a quorum shall be at least two such members. Additional members shall be appointed to ensure the Committee is able to operate effectively. At least one member should have recent relevant experience in finance, accounting or auditing.

3.3 Members of the Committee should not have executive responsibility for the management of the institution, or other significant interests in the institution.

3.4 The President should not be a member of the Committee. The Chair of the Finance Committee should not be the Chair of the Audit & Risk Committee.

3.5 Appointments to the Committee shall be for a period of one year, renewable at the discretion of the Council.

4. BUSINESS OF MEETINGS

4.1 Where the appointed Chair is unavailable to Chair, the Committee shall select a Chair from the members attending. If there is disagreement among the Committee, the matter shall be put to vote and the Chair selected by majority.

4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall declare the interest and, at the discretion of the Committee, remove him/herself from the discussion and any voting.

4.3 In accordance with Article 39 of the Articles of Association, all acts and proceedings of the Committee must be fully reported on a timely basis to Council.

5. ATTENDANCE AT MEETINGS

5.1 The Committee shall meet at least twice in each Council session (i.e., between 1 June and 31 May), and may meet at other times during the year as agreed between the members of the Committee or as required for the Committee to responsibly carry out its duties.

5.2 The Head of Finance, School Director, and a representative of the external auditors shall normally attend meetings where business relevant to them is to be discussed. However, at least once a year the Committee should meet with the external auditor without any management being present.

5.3 Only members of the Committee have the right to attend Committee meetings. Other individuals may be invited to attend all or part of any meeting as and when appropriate.

5.4 The Company Secretary or his/her nominee shall be the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to all issues.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external auditors if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than three working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time.

7. AUTHORITY

The Committee is authorised by the Council to examine any activity within its terms of reference and to obtain, at the Architectural Association's expense, professional advice on any matter within its terms of reference. The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

8. REPORTING

- 8.1 In accordance with Article 39 of the Articles of Association, all acts and proceedings of the Committee must be fully reported on a timely basis to Council. Such report shall be made by the Chair, or other nominated member of the Committee.
- 8.2 The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted. The minutes of each meeting will be circulated with the papers of the next subsequent meeting for review and approval. Once approved, the minutes of each meeting will be kept on file by the Company Secretary for inspection by any other member of the Council.
- 8.3 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 governing body and will summarise the activity for the year. It will give the Committee's opinion of the adequacy and effectiveness of the institution's arrangements for the following:
 - risk management, control and governance, including the accuracy of the statement of internal control provided in the annual statement of accounts; and
 - economy, efficiency and effectiveness (value for money)
- 8.4 The opinions set out in the Committee's annual report should be based on the information presented to the Committee. The Committee's annual report should normally be submitted to the governing body before the members' responsibility statement in the annual financial statements is signed.

9. GENERAL MATTERS

The members of the Committee should make themselves available at each Annual General Meeting of the Architectural Association to answer questions concerning the Committee's work.