

SHREWSBURY SCHOOL

Audit Committee

Constitution and Terms of Reference

Constitution

The Audit Committee shall be appointed by and report to the Governing Body. It shall comprise at least three Members of the Governing Body. Two Members shall form a quorum. At least one Member should have a financial background. The Chairman of the Governing Body will not be a Member. The Shrewsbury School Bursar and Financial Controller will normally attend meetings. A representative of the external Auditors will also attend when appropriate. The Committee will normally meet at least twice a year. It will have unrestricted access to School personnel. Members of the Committee have the right to seek independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The costs will be borne by the School.

Terms of Reference

1. Background and Overview

Primary responsibility for the School's financial reporting, accounting systems and internal controls is vested in the management and overseen by the Governing Body. The purpose of the Committee is to assist the Governing Body in fulfilling its oversight responsibilities of the School.

2. Objectives

The objective of the Committee is to ensure the risks of Shrewsbury School and Packwood Haugh School, financial and otherwise, are effectively reviewed and that the annual financial statements give a true and fair view of the activities of the school.

3. Duties and Responsibilities

a) Annual Financial Statements

The Committee will:

- Determine whether appropriate accounting methods are being applied.
- Discuss with management and with the external auditor all proposed major changes in accounting policy, the presentation of all large risks or uncertainties and all estimates or judgements of management that may be material to financial reporting.
- Question management and the external auditor regarding significant financial recording or presentation issues that were discussed during the accounting period and the manner of their resolution; and
- Examine the audited annual financial statements in conjunction with the management report of the external auditor, with particular reference to whether the statements:
 - Properly reflect the significant accounting policies selected

- Reflect estimates and other financial statement elements that are reasonable and consistent
- Adequately disclose all major transactions and issues
- Disclose all post year-end significant events, and
- Are understandable, relevant, reliable and comparable.

b) *External Audit:*

The Committee will:

- Determine whether the performance of the external audit is satisfactory and effective and meets the requirements of the Charity (including both Schools).
- Recommend to the Governing Body the retention or replacement of the external auditor and, if the Committee recommends replacement, evaluate candidates for the appointment. The normal process will involve an audit tender every 5-years.
- Review all issues related to any change of external auditor and the planned steps for an orderly transition:
 - Reviewing the terms of the external auditor's engagement, and the appropriateness and reasonableness of the proposed audit fees;
 - Review the audit plan with the external auditor and management; determine whether management has provided full and open disclosure to the auditor's enquiries.
 - Review problems experienced by the external auditor in performing the audit, including any restriction imposed by management and all significant accounting issues on which there was a disagreement with management, and review the post-audit or management letters containing the recommendation of the external auditor and reviewing management's response and subsequent follow up to all identified weaknesses.
- Meet with the external auditors in private at least once a year to ensure that there are no unresolved issues of concern and that full co-operation has been received.

c) *Other responsibilities:*

The Committee will:

- Review the status of pending or threatened material litigation.
- Ascertain whether the financial results and condition satisfy the criteria for lenders, material agreements, applicable laws and insurers.
- Draw to the attention of the Governing Body all financial matters of which the Committee has knowledge, and which may materially affect the current or future position of the Charity.
- Determine whether systems are in place to identify and monitor major business risks. The Chairman will report to the Governing Body as appropriate on the areas of major business risk.
- Such review of systems to identify major risks will also include regular review of Health and Safety procedures, policies and structures in place to monitor that policies are being implemented effectively.
- Verify the establishment of policies and procedures for monitoring compliance with applicable laws (including data protection) and with the

School's policies as to authorisation of expenditures, leases and contracts and otherwise, and ascertain their adequacy and levels of compliance.

- Endeavour to identify to the Governing Body matters that expose Governors to claims for which Governors could be held personally liable.
- Ascertain whether any Conflict of Interest guidelines are strictly complied with and ensure that Governors and Senior Management have submitted an annual return to confirm whether or not they have had any related party transactions with the school during the previous year.
- Review that appropriate documentation is in place with the main operating subsidiaries (SSEL and SSTC) to ensure that Directors have the necessary authorities to operate on behalf of the Charity and that cost sharing agreements reflect the commercial situation.

d) *Corporate Governance*

The Committee will:

- Review the processes of Governance to enable the Charity to implement best practice as set out in appropriate guidance. This will include a comprehensive review of governance once every three years, the results of which are to be discussed at the following meeting of the full Governing Body.
- The Audit Committee Chairman may conduct the review him/herself or delegate responsibility to another Governor.

The Committee will annually review and recommend changes to its terms of reference, following completion of each annual audit.

The agenda for Committee meetings shall be determined by the Chairman of the Committee in consultation with other members of the Committee as appropriate and shall wherever possible be circulated in advance to persons attending the meeting.

Richard Boys-Stones
February 2021