



# Specific Terms of Reference Audit and Risk Committee

## To be read in conjunction with Terms of Reference Applicable to all Committees

- Adopted by the Board of Trustees September 2005
- Amendments adopted by the Board of Trustees on 20th November 2008
- Amendments adopted by the Board of Trustees 20th November 2014
- Amended by the Board of Trustees 15th September 2016

## Membership

The Chairman of the Committee shall be appointed by the Board and the Chairman shall not chair any other committee. One member of the Committee shall be the Honorary Treasurer. At least one member of the Committee shall have significant, recent and relevant financial experience and at least one independent member will be appointed with experience in non-financial risk matters.

## Frequency of Meetings

The Committee shall meet at least twice each year to coincide with key dates in the Trust's financial reporting cycle and at such other times as may be considered appropriate. External auditors may request a meeting if they consider it necessary.

## Attendance of Meetings

There shall be at least one meeting a year, at which the Committee meets the external auditors, without the Chief Executive or other members of management present.

## Purpose

The Committee will assist the Board:

1. In fulfilling its oversight responsibilities, and has key responsibilities for the ongoing monitoring and review of financial performance, and the identification, management, mitigation and reporting of financial risk, and;
2. in its review and assessment of risks to the organization and the management of those risks by the Executive. The Board has overall responsibility for reviewing and assessing risks to the organization and the management of those risks, and the same shall be reflected in an appropriate statement in the Annual Report. The Board will decide on the level of risk that is acceptable.

## Duties

### Financial

To undertake whatever actions the Committee feels appropriate to achieve its purpose, but in particular to review and assess the appropriate processes and controls resulting from policies set by the Board of Trustees and management. Specific duties shall include:

#### External audit

- to oversee the Trust's relations with the external auditor
- to consider, and make recommendations on the appointment, reappointment and removal of the external auditor
- to approve the terms of engagement and the remuneration to be paid in respect of audit services provided
- to assess the qualification, expertise and resources, effectiveness and independence of the external auditors annually
- to discuss with the external auditors, before the audit commences, the nature and scope of the audit
- to review, with the external auditors, the findings of their work, including any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit adjustments; levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors remain unadjusted
- to review the audit representation letters before consideration by the Board
- to discuss with the external auditors their views on the strengths and weaknesses of the systems of internal control
- to assess, at the end of the audit cycle, the effectiveness of the audit process
- to review and monitor the formal report from the external auditors of their audit findings, and the responses, where appropriate, from the management team

#### Financial reporting

- to review, and challenge where necessary, the actions and judgement of management in relation to the Trust's financial statements before submission to, and approval by, the Board and before clearance by the auditors.

Particular attention should be paid to:

- accounting policies and practices, and any changes therein
- decisions requiring a significant element of judgement
- the extent to which the financial statements are affected by unusual transactions in the year and how they are disclosed
- significant adjustments arising from the audit
- the going concern assumption
- compliance with accounting standards, statements of recommended practice for charities and other legal requirements.
- other topics, as defined by the Board.

#### Budgeting

To review the Annual Business Plan and Budget and if deemed appropriate recommend its adoption to the Board of Trustees.

#### Internal control and risk management

To review the Trust's procedures for detecting fraud and to ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters to monitor the integrity of the Trust's internal financial controls to assess the scope and effectiveness of the systems to identify, assess, manage and monitor financial and non-financial risks.

## **Internal audit**

- To consider annually whether there is a need for an internal audit where no such function currently exists.

The Committee will depend on reporting from the finance department, the external auditors and other reporting from the management team or from external advisors as appropriate in order to achieve its purpose.

## **Non Financial**

To review and assess risk in all areas of the Trust's work other than financial risks, whether this be of a governance, operational, environmental, external, reputational, legal or other nature, as well as the monitoring, management and mitigation of the risk identified. It will:

- work to help ensure the Trust's culture and organization (including clear delegation of authority from Board to Executive to staff) recognizes that risk and its management is an issue for all and is embodied in all operating procedures, management approaches, internal control systems, training and
- communication;
- seek parameters from the Board on what level of risk is acceptable to the organisation and what matters need to be put to the Board for decision;
- review not less than annually (and more often if necessary) the overall principles and structure of the Executive's approach to risk management, the risk register and the balance between higher and lower risk activities;
- review any area of risk it decides necessary, particularly those judged higher than others, as well as the strategies and controls in place to mitigate them and make recommendations as necessary;
- include disaster management and response within the areas to review;
- advise the Board on the statement in the Annual Report;
- ensure good communication with the Governance and Audit committees.

## **Reporting Procedures**

Specifically the Committee will report to the Board on:

- the minutes of the Audit and Risk Committee meetings
- the names and qualifications of all members of the Audit and Risk Committee during the reporting period.