

Terms of Reference for the Audit & Risk Assessment Committee

(“The audit committee.”)

1. Overall Purpose / Objectives

The audit committee exists to assist the Board of Trustees in fulfilling its governance responsibilities. The audit committee will review the financial reporting process, the system of internal control, the audit process, the management of risks, and the Society’s processes for monitoring compliance with laws and regulations.

In performing its duties, the audit committee will maintain effective working relationships with the Board of Trustees, the executive team, and the external auditors. To perform this role effectively, each committee member will obtain an understanding of these detailed responsibilities of committee membership as well as the Society's operations and risks.

2. Authority

The Board of Trustees authorises the audit committee, within the scope of its responsibilities, to:

- 2.1. Seek any information it requires from:
 - 2.1.1. Any employee (and all employees are directed to co-operate with any request made by the audit committee)
 - 2.1.2. External parties.
- 2.2. Obtain appropriate legal or other professional advice following specific authorisation from the Trustees.
- 2.3. Ensure the attendance of the Charity’s employees at meetings as appropriate

3. Organisation

Membership

- 3.1 The audit committee will comprise a minimum of three and a maximum of five full members, appointed by the Board of Trustees. This will include the Board member with financial expertise, in the event one is appointed, and at least two others drawn from the main board. Up to two full members can be drawn from outside the main board.

- 3.2 All full members should, by virtue of qualification, experience or personal attributes be capable of making a valuable contribution to the committee.
- 3.3 Full members should be able to physically attend meetings without excessive travel costs being incurred. In practice this means full members should generally reside within Britain and Ireland. Exceptions to this can only be made for specialist skill sets and where remote participation in meetings is deemed practical
- 3.4 All members must be independent of the executive team
- 3.5 The Chair of the audit committee will be nominated by the Board of the Trustees from time to time
- 3.6 All full members will be appointed for a three-year term of office, renewable for a further term of three years only.
- 3.7 A quorum for any meeting will be two full members
- 3.8 The secretary of the audit committee will be the Head of Finance, or such other person as nominated by the Board of Trustees
- 3.9 The Committee has the authority to directly co-opt non-voting members onto the committee as required to provide specific expertise

Attendance at Meetings

- 3.10 The audit committee will normally invite such other persons (e.g. the Chief Executive, the Head of Finance) to its meetings, as is appropriate for the effective working of the committee. It may also invite an independent qualified expert to join if appropriate to complement the skills within the committee for a particular issue
- 3.11 The external auditors should be invited to make presentations to the audit committee as appropriate
- 3.12 Meetings shall be held not less than four times a year. Special meetings may be convened as required. The external auditors may convene a meeting if they consider that it is necessary.
- 3.13 The proceedings of all meetings will be minuted and the minutes made available to the Worldwide Trustee Board.

4. Roles and Responsibilities

The audit committee will:

Internal Control

- 4.1 Evaluate whether the executive team is setting the appropriate culture of control by communicating the importance of internal controls and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities
- 4.2 Hold the executive team to account for the security of computer systems, data and applications, and the contingency plans for processing financial information in the event of a systems breakdown
- 4.3 Gain an understanding of whether internal control recommendations made by external auditors have been implemented by the executive team

Reporting- General

- 4.4 Gain an understanding of the current areas of greatest risk and how management is managing these effectively
- 4.5 Consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues
- 4.6 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements in relation to charities, and understand their impact on the financial statements
- 4.7 Ask the executive team and the external auditors about significant risks and exposures and the plans to minimise such risks
- 4.8 Review any legal matters that could significantly impact the charity.

Reporting- Annual Accounts

- 4.9 Review the annual accounts of the charity and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles

- 4.10 Pay particular attention to complex and/or unusual transactions such as restructuring charges.
- 4.11 Focus on judgmental areas, for example those involving valuation of assets and liabilities; reserves; and other commitments and contingencies
- 4.12 Meet with the executive team and the external auditors to review the financial statements and the results of the audit
- 4.13 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the Society.

External Audit

- 4.14 Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope
- 4.15 Review the performance of the external auditors
- 4.15 Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Society
- 4.16 Make recommendations to the Board of Trustees regarding the reappointment of the external auditors
- 4.17 Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately
- 4.18 Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis
- 4.19 Ensure that the executive team responds to recommendations by the external auditors

Compliance with Laws and Regulations and Management of Risks

- 4.20 Review the effectiveness of the systems for monitoring compliance with relevant laws and regulations, especially in respect of the Charity's requirement to maintain an adequate system of Risk Assessment, and the results of the executive team's investigation and follow-up (including disciplinary action) of any fraudulent acts or unacceptable risk
- 4.21 Obtain regular updates from the executive team regarding risk assessment, insurance and contingency plans
- 4.22 Be satisfied that all regulatory compliance matters have been considered in the preparation of the Report & Accounts and in the ongoing activities of the Charity
- 4.23 Review the findings of any examinations by regulatory agencies such as the Charity Commissioners

Budget Setting and Tracking

- 4.24 Once a year the committee will scrutinise the proposed budget for the following year prior to the main Board meeting
- 4.25 The Audit and Risk Committee will also scrutinise financial performance of the charity against the approved budget on a quarterly basis during the year on behalf of the main Board

Major Strategic Projects

- 4.26 The committee will be responsible for providing ongoing oversight of any major strategic projects unless the main board initiates project specific arrangements.

Reporting Responsibilities

- 4.27 Regularly update the Board of Trustees about committee activities and make appropriate recommendations. This will include the provision of committee minutes to the main board.
- 4.28 Ensure the Board of Trustees is aware of matters that may significantly impact the financial condition or affairs of the Society

Other Responsibilities

- 4.29 Perform other oversight functions as requested by the Board of Trustees
- 4.30 Review and update these terms of reference; receive approval of changes from the Board of Trustees
- 4.31 Evaluate the committee's own performance at least twice during a triennial period

5. Resolutions

- 5.1 The committee shall make decision by a simple majority of those voting on the issue in question. In the event votes are equal the committee chair shall at their discretion decide whether their vote should be considered casting or whether the matter should instead be referred up to the main board

Approved: Board of Trustees, November 2018

Previous Iterations Approved: December 2007; February 2010; Trustees 2013; March 2016