

SOGB Audit & Risk Sub-Committee Terms of Reference

Purpose

The Audit & Risk Sub-Committee is responsible for assisting the Board in discharging its responsibilities for monitoring:

- The effectiveness of the charity's (and any subsidiary's) systems of internal financial controls.
- Annual budget setting.
- Monthly management account reporting and forecasting.
- The integrity of the Charity's statutory financial statements.
- The effectiveness, performance and objectivity of the annual external audit.
- The continued evaluation and strategic oversight of the organisation's Risk Register.

Authority

The Committee is authorised by the Board to:

- Investigate, or cause to be investigated, any activity within its terms of reference.
- Obtain, at the Company's expense, external legal or independent professional advice from such advisers as the Committee shall select, who may, at the invitation of the Committee, attend meetings as necessary.
- Seek any information that it requires from any employee of the Company in order to perform its duties, and require all employees to co-operate with any request made by the Committee.
- Approve payment to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit or review services for the charity.

Duties

The duties of the Committee shall be to:

- Review and assess the adequacy and effectiveness of the charity's systems for internal control, including financial reporting and financial controls.
- Review, and challenge where necessary, the actions and judgements of the Senior Leadership Team in relation to the annual budget setting process, monthly management account process, annual financial statements, and any announcements relating to the charity's financial performance.
- Set the charity's financial policies and procedures, including the charity's Reserve Policy.
- Ensure that all 'early warnings' are communicated and addressed to relevant stakeholders, including any going concern or end-of-year reserve concerns.
- Review the charity's Risk Register regularly and ensure all parties are aware of relevant risks and processes required to mitigate them.

External Audit Responsibilities

With regard to the charity's external audit process, the duties of the Committee shall be to:

- Consider the appointment, re-appointment, dismissal or resignation of the external auditor and to directly oversee the process for selecting the external auditor and to make appropriate recommendations to the Board.
- Assess, and keep under review, the independence and objectivity of the external auditor.
- Approve the annual audit timetable.
- Approve the external auditor's engagement letter and any amendments, and recommend the external audit fee to the Board.
- Discuss with the external auditor the nature, scope and effectiveness of the annual audit process taking into account relevant statutory requirements, and review the external auditor's quality

control procedures and the steps taken by the external auditor to respond to changes in regulatory and other requirements.

- Meet separately with the external auditor in the absence of the Senior Leadership Team at least once during the audit/AGM process.
- Consider the charity's response to any material recommendations made by the external auditor.
- Provide advice to the Board on whether the annual report and accounts is fair, balanced and understandable, and provides the statutory information necessary.

Risk Register

The charity's Risk Register is a critical tool which documents the risks faced by the organisation and the responses considered necessary to address those risks.

When reviewing the Risk Register, the Committee must work with the Senior Leadership Team to:

- Ensure all potential risks are identified and considered
- Identify context
- Estimate and allocate risk importance
- Determine the risk response, and manage its execution – including ownership of tasks relating to the management of specific risks
- Identify and respond to changes over time

The Committee will report all changes and risks considered 'high' to the Board at the AGM – or with more urgency if deemed necessary to do so by the Committee.

Membership & Attendance

The members, including the Chair of the Committee, shall be appointed by the Board of Trustees and shall consist of not less than three members. Appointments to the Committee shall be for a period of up to two years and be confirmed at each annual AGM. This may be extended for further periods of up to two years, provided the member still meets the criteria for membership of the Committee.

A quorum of the Committee shall be two members. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting. The charity's Company Secretary shall be the secretary of the Committee. Meetings should also be attended by the charity's Chief Executive and Head of Finance.

Other Board members may attend any meeting of the Committee and members of Management and any advisers appointed by the Committee shall attend, if invited by the Committee. The Committee can, by agreement of the members, meet without management – particularly in the case of control issues or suspected fraud.

Frequency

The Committee shall meet at least twice a year and at any other time as the Committee shall see fit. The external auditor, the Chair of the Committee or two members of the Committee may request a meeting if any of them consider that one is necessary.

Notice

Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and any other person required to attend, no later than five working days before the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, with at least the same notice.

Minutes of Meetings

The Secretary of the Committee shall ensure that a formal record of Committee proceedings and resolutions is maintained. Following approval of the minutes by the Chair of the Committee they shall be circulated to all members of the Committee.

The Chair of the Committee shall report to the Board at regular intervals on the matters it has reviewed, making recommendations when requested or when considered appropriate. Minutes of the sub-committee should be included in the Board papers at the next relevant full Board meeting.

The Chair of the Committee shall attend the AGM and answer questions, through the Chair of the Board, on the Committee's activities and responsibilities.