



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 in liaison with the Governance Sub-committee.

Authority

The Sub-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 Sub-committee shall select, who may, at the invitation of the Sub-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 Sub-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 Sub-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 Executive 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 in liaison with the Governance Sub-committee and ensure all parties are aware of relevant risks and processes required to mitigate them.
- Carry out an audit and create a process to ensure that the organisation's Board, staff and any outsourced third parties, have the relevant competence and qualifications in financial matters. These skills will be reviewed annually and also at any time business plans are developed or amended, to ensure that the organisation has the relevant financial skills to deliver those plans.

External Audit Responsibilities

With regard to the charity's external audit process, the duties of the Sub-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 Executive 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 Sub-committee must work with the Executive 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 Sub-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 Sub-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 Sub-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 Sub-committee.

A quorum of the Sub-committee shall be two members. In the absence of the Sub-committee Chair, the remaining members present shall elect one of themselves to chair the meeting. Meetings should also be attended by the charity’s Chief Executive, Director of Operations and also Finance staff when appropriate.

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

Where possible, the Chair of Trustees should not be a member of this committee.

Frequency

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

Notice

Meetings of the Sub-committee shall be called by Director of Operations at the request of the Sub-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 Sub-committee, and any other person required to attend, no later than five working days before the meeting. Supporting papers shall be sent to Sub-committee members and to other attendees as appropriate, with at least the same notice.

Minutes of Meetings

Director of Operations will attend each meeting and will be responsible for the production of agendas and minutes to ensure that a formal record of Sub-committee proceedings and resolutions is maintained. Following approval of the minutes by the Chair of the Sub-committee they shall be circulated to all members of the Sub-committee.

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