# Audit Sub-Committee Terms of Reference

### Attendees

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| **Trustee members**  David Moed (Chair), Micheál Nallen, Sue Grieve, Steve Highwood, Sarah Jeffery | **Staff members**  Carol Currie |

### Aims

### The Audit Committee is a sub-committee of the Board, to which it reports directly. It assists the Board in fulfilling its oversight responsibilities and has key responsibilities for ensuring that there is a framework for accountability; for examining and reviewing systems and methods of financial control, including risk analysis and risk management; for the ongoing monitoring and review of financial performance (including review and audit of the annual accounts); and for ensuring that MRF is complying with all aspects of the law, relevant regulations, corporate governance and good practice.

Following discussions, this group can then go on to make recommendations to the full Board for their final decision.

### Membership

### Members of the Committee shall be appointed by the Board in consultation with the Chair of the Audit Committee. The Committee shall be made up of at least three Trustees, at least one of whom shall have recent and relevant financial experience. The Chair of the Board may be a member of the Committee but shall not be Chair.

Only members of the Committee have the right to attend Committee meetings. However, the external auditor and Director of Finance will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three year periods, provided the member still meets the criteria for membership of the Committee.

### Secretary

The Committee shall appoint an individual from within MRF to act as the secretary of the Committee who will ensure that the Committee receives information and papers in a timely manner.

### Frequency of Meetings

The Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle, and otherwise as required.

Any member of the Committee, the external auditors or the Director of Finance may request a meeting if they consider that one is necessary.

The Committee shall meet at least annually with the external auditors without the presence of executive management

Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Charity’s governance, including the Board Chair, the Chief Executive, the Director of Finance and the external audit lead partner.

### Notice of Meetings

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, in advance of each meeting.

### Papers

Relevant papers to be circulated no less than 3 working days in advance by email. Hard copies will be posted on request.

### Minutes of Meetings

### The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

### The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

### Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and when approved to all other Trustees, unless it would be inappropriate to do so.

### General Meeting

The Chair of the Committee shall attend the Annual General Meeting and be prepared to respond to any questions on the Committee’s activities from the Board.

### Financial Reporting

1. The Committee shall monitor the integrity of published financial statements of the Charity, including its annual reports, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
2. The Committee shall recommend to the Board the approval of the annual financial statements, or otherwise as appropriate.
3. The Committee shall review and, taking into account the views of the external auditor challenging where necessary;

* The consistency of, and any changes to, accounting policies both on a year on year basis and across the Charity;
* The methods used to account for significant or unusual transactions where different approaches are possible;
* Compliance with accounting standards and the making of appropriate estimates and judgements;
* The clarity of disclosure in the Company’s financial reports and the context in which statements are made;
* The financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

### Internal Controls and Risk Management

The Committee shall:

* keep under review the adequacy and effectiveness of the Charity’s internal controls and risk management systems;
* review and approve the statements to be included in the annual report concerning internal controls and risk management;
* consider the Charity’s strategic risk register at each meeting and make recommendations to the Board regarding the Charity’s risk framework and risk management activity;
* undertake, from time to time as required, in-depth reviews of particular risks which pose significant risks to the achievement of the Charity’s aims and objectives.

### Compliance, Whistleblowing and Fraud

* The Committee shall review the Charity’s arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
* The Committee shall review the Charity’s procedures for detecting fraud and the Charity’s systems and controls for the prevention of bribery.

### External Audit

The Committee shall:

* Consider and make recommendations to the Board, to be put to members for approval at the Annual General Meeting, in relation to the appointment, re- appointment and removal of the Charity’s external auditor; the Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
* Oversee the relationship with the external auditor including (but not limited to)
  + consider and make recommendations as to their remuneration, including fees for both audit or non-audit services and satisfying itself that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  + approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  + assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  + satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Charity (other than in the ordinary course of business);
  + monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Charity compared to the overall fee income of the firm, office and partner and other related requirements; and
  + assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
* Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
* Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
* Review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
  + a discussion of any major issues which arose during the audit,
  + any accounting and audit judgements,
  + levels of errors identified during the audit, and
  + effectiveness of the audit
* Review any representation letter(s) requested by the external auditor before they are signed by management;
* Review the management letter and management’s response to the auditor’s findings and recommendations; and
* Develop and recommend to the Board the Charity’s policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

### Reporting Responsibilities

The Committee Chair shall report and make recommendations formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall compile an annual report to the Board, summarising its activities, important issues arising and areas of focus for the following year.

### Other Matters

The Committee shall;

* have access to sufficient resources in order to carry out its duties
* be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
* give due consideration to laws, regulations and the provisions of the Companies Act, the Bribery Act and the Charities Act, and any other applicable Rules as appropriate;
* oversee any investigation of activities which are within its terms of reference; and
* at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

### Authority

The Committee is authorised to:

* investigate any activity within its terms of reference;
* seek any information it requires from any employee of the Charity in order to perform its duties;
* obtain, at the Charity’s expense, outside legal or other professional advice on any matter within its terms of reference; and
* call any employee to be questioned at a meeting of the Committee as and when required.