



Audit Committee Terms of Reference

1. Delegated Authority

All powers of the Audit Committee are delegated to it by the Board .

2. Membership

2.1 The Audit Committee will comprise of a minimum of 4 members of the Board

2.2 The Chair of the Board may not be the Chair of the Audit Committee but they may wish to attend and can do so.

2.3 The Audit Committee can also include a person outwith the Board (but not a staff member). Such an appointment must be approved by the Board.

3. Meetings

3.1 The Audit Committee will meet as required to perform its responsibilities and in any event shall meet a minimum of four times each year.

3.2 The quorum for meetings will be three excluding the external member

4. Agenda, Minutes and Reporting

4.1 The agendas for meetings will be agreed with the Audit Committee Chair and will be circulated to all members, together with appropriate reports, seven days before a meeting.

4.2 If an Audit Committee member would like to add an item to the agenda they should notify the Chair of the Committee in advance of the meeting.

4.3 Minutes of the Audit Committee will be presented to the next Board for noting. Any matter that is referred to the Board for approval or decision will be subject of a separate paper that will be circulated and prepared with the Board papers.

4.4 The Chair of the Audit Committee will present an annual report to the Board that describes the activities of the Committee over the year and highlights matters of significance

5. Code of Conduct

5.1 Members of the Audit Committee will comply with the Board Code of Conduct signed annually following the AGM. During the course of its work members may access sensitive information which must remain confidential. Any breach of confidentiality will result in action being taken to remove the committee member from the Board, and therefore, the Development & Audit Committee under rule 44.5 of the Association's Rules. Members who have been removed from Committee cannot stand for re-election for a period of five years.

6. Key Responsibilities

The Audit Committee is accountable to the Board for the fulfillment of the responsibilities delegated to it as set out below.

The Audit Committee has the right of access to all information it considers necessary to fulfill its responsibilities and to consult directly with internal and external auditors the following responsibilities, powers and decisions are reserved to the Audit Committee:

6.1 Internal Control Framework and Internal Audit:

- Oversee the embedding and maintenance of an effective system of internal control.
- Satisfy the Board that there is sufficient and systematic review of the internal control arrangements and monitor the effectiveness of the internal audit arrangements in the context of the association's overall internal control and risk management framework
- Set the annual internal and strategic audit programme.
- Review the statement of internal control and make recommendations to Board
- Receive a report on the results of internal audit work on a periodic basis (FRC 4.18, ICSA 8.4.5).
- Review and monitor management's responsiveness to the findings and recommendations of the internal auditor (FRC 4.18, ICSA 8.4.6).
- Make recommendations to the Board on the internal audit arrangements including the appointment, re-appointment or otherwise, fees, terms of engagement of the internal auditor

- To commission special investigation into matters of particular concern relating to internal control
- Review annually the Association's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial reporting or other matters (Code C3.4, FRC 4.7, ICSA 8.3.1). Ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- Review annually the Association's procedures for detecting fraud and the prevention of bribery and receive reports of non compliance with anti bribery procedures and controls (ICSA 8.3.3)
- Review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of Anti-Money Laundering systems and controls (ICSA 8.3.4).
- Have overall responsibility for internal audit.
- Meet the internal auditors at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the internal auditors shall be given the right of direct access to the chairman of the Board and to the Audit Committee (FRC 4.18, ICSA 8.4.7).

6.2 Risk Management

The Committee shall:

- Advise the Board and make recommendations to the Committee on the strategic process for risk, including the Association's overall risk appetite, tolerance and strategy, taking into account the current and prospective external environment (eg economic, Regulatory etc.) (ICSA RC 8.1)
- Regularly review and approve the Association's risk assessment processes and methodology that inform the Board's decision making ensuring both quantitative and qualitative metrics are used. (ICSA RC 8.3, 8.3.1 & 8.3.2)
- Set a standard and escalation policy for the accurate and timely monitoring of large exposures and certain risk types of critical importance. (ICSA RC 8.3.3)
- Review the adequacy of management response to issues identified in risk registers, ensuring that residual risk is managed within the Association's risk appetite. (ICSA RC 8.15)
- Monitor the implementation of agreed actions to reduce risks
- Review reports on any material breaches of risk limits and the adequacy of proposed action. (ICSA RC 8.6)

- Obtain assurance that the controls mitigating key risks on the Association's risk registers are operating effectively
- Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. (ICSA RC 8.12)
- Review and approve the annual risk management plan.

6.3 Governance

The Committee shall:

- Receive regular reports to ensure that all relevant aspects of the Regulatory Standards of Governance and Financial Management are complied with
- Receive a report in relation to the annual assessment of governance arrangements
- Obtain assurance relating to corporate governance requirements for the organisation and the approval of the governance statement for inclusion in the associations annual report.
- Issue an annual governance statement to the Board setting out evidence that the Committee have seen to support the Annual Statement of Financial Control.

6.4 External Audit

The Committee shall:

- Have overall responsibility for external audit and shall consider relevant reports and ensure that all appropriate action is taken (FRC 4.19, Fin Regs 2.3).
- Consider and make recommendations to the Board for approval at the Association's annual general meeting, in relation to the appointment, re-appointment and removal of the Association's external auditors. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required (Code C3.2, C3.6, FRC 4.20, 21, ICSA 8.5.1).
- Oversee the relationship with the external auditors including (but not limited to):
 - Consider the purchase of non-audit services from the external auditor

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- Approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted (FRC 4.29, ICSA 8.5.2.1).
- Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit (FRC 4.27, 4.28, ICSA 8.5.2.2).
- Assessing annually their independence and objectivity taking into account relevant (UK) professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services (Code C3.2, FRC 4.22, 4.36, ICSA 8.5.2.3).
- Satisfying itself that there are no relationships (such as family, employment, investment, financial, or business) between the auditor and the Association (other than in the ordinary course of business) (FRC 4.37, ICSA 8.5.2.4).
- Recommending to Board a policy on the employment of former employees of the Association's auditor, then monitoring the implementation of this policy (FRC 4.43, ICSA 8.5.2.5).
- Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Association compared to the overall fee income of the firm, office and partner and other related requirements (FRC 4.44, 4.35-36, ICSA 8.5.2.6).
- 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 (ICSA 8.5.2.7).
- Seek to ensure co-ordination with the external auditors in relation to the activities of the internal audit function (ICSA 8.5.2.8).
- 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 (ICSA 8.5.3).
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement (FRC 4.30, ICSA 8.5.4.8).
- Review the finding of the audit with the external auditor. This shall include, but not be limited to, the following (FRC 4.32, ICSA 8.5.5):

- A discussion of any major issues which arose during the audit
 - Any accounting and audit judgements
 - Levels of errors identified during the audit.
- The Committee shall also review the effectiveness of the audit:
 - Review any representation letter(s) requested by the external auditor (ICSA 8.5.6)
 - Review the management letter and management's response to the auditor's findings and recommendations (ICSA 8.5.7).
 - Develop and make recommendations to the Board on the implementation of a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter. In addition, to review the policy once implemented

6.5 Financial reporting

The Committee shall monitor the integrity of the financial statements of the Association reviewing significant financial reporting issues and judgements which they contain (Code C3.1, FRC 4.1, ICSA 8.1.1). Overall responsibility of this area lies with the Board , however

The Committee shall review and challenge where necessary:

- The consistency of, and any changes to, accounting policies both on a year on year basis and across the Association (FRC 4.2, ICSA 8.1.2.1).
- The methods used to account for significant or unusual transactions where different approaches are possible (FRC 4.2, ICSA 8.1.2.2).
- Whether the Association has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor (FRC 4.2, ICSA 8.1.2.3).
- All material information presented with the financial statements, such as the internal controls assurance statement (FRC 4.4, ICSA 8.1.2.5).
- Accounting policies, the accounts and the annual report of the organisation and the external audit management letter.