

## **Finance, Audit and Risk Committee Terms of Reference**

**Responsible to:** Board of Trustees

### **Purpose**

To review and advise the Board on the adequacy and effectiveness of the Science Council's arrangements for accountability, risk management, financial controls and governance; to consider and advise the Board on the provision of external audit for the Science Council and recommend actions to the Board to ensure that the organisation is taking appropriate steps to comply with all relevant aspects of law, regulation and good practice.

### **Duties and delegated authority**

#### **1. Finance**

- 1.1. Annually review and approve changes to sections of the charity's Financial Policies and Procedures Manual for which it has continued oversight.
- 1.2. Regularly review the charity's management accounts and cash flow and advise the Board accordingly.
- 1.3. Approve debt write-off of up to 1% of income, which will be cumulative over a calendar year and based on the previous year's income.
- 1.4. Review the Science Council's reserves level quarterly (or as and when required) and review annually the reserves policy and advise the Board on the appropriate level of reserves the charity should hold.
- 1.5. Review the annual budget prior to approval by the Board, including staff remuneration and any proposed change to staff financial and non-financial benefits.
- 1.6. Annually review and advise the Board on any increase (or otherwise) in fees.
- 1.7. Investigate any financial or administrative matter which may put the organisation at risk.
- 1.8. Review the effectiveness of the organisation's systems and procedures for ensuring that it obtains value for money from all its expenditure.
- 1.9. Review the performance of existing income diversification streams and consider proposed new streams and advise the Board accordingly.

#### **2. Audit**

- 2.1. Monitor, review and advise the Board on the minimum and optimum level of internal (if applicable) and external audit arrangements.
- 2.2. Identify the criteria for the appointment and remuneration of the external auditor, the provision of any non-audit services by the external auditor, and any questions of resignation or dismissal of the external auditors.
- 2.3. Meet periodically with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.
- 2.4. Review the findings of the audit with the external auditor, including but not limited to, a discussion of any major issues which arose during the audit, the auditor's explanation of how the risks to audit quality were addressed, key accounting and audit judgements, the auditor's view of their interactions with

senior management, and levels of errors identified during the audit. Other duties in relation to the external audit include:

2.4.1. Reviewing any representation letter(s) requested by the external auditor before it is (they are) signed by the Chair of the Board.

2.4.2. Reviewing the management letter and management's response to the auditor's findings and recommendations.

2.5. Annually review the performance and effectiveness of external auditors and make recommendations to the Board concerning their reappointment or amendment to terms of engagement.

2.6. Review arrangements with respect to regular audits in the following areas: legal, data protection, risk, financial (including statutory annual audits, VAT and PAYE), health and safety, investments and insurance, and to contribute to these reviews.

### **3. Risk**

3.1. Monitor and review the effectiveness of the organisation's risk management and internal controls and advise the Board on steps to ensure that these follow good practice.

3.2. Monitor the charity's principal risks and alert the Board to any emerging issues as necessary, making recommendations to the Board as necessary.

3.3. Advise the Board on the organisation's overall risk appetite.

### **4. Membership and terms of office**

4.1. The Committee will consist of the Chair, the Honorary Treasurer, no fewer than three trustees (one of whom may be the Honorary Treasurer), and no fewer than two independent members who are not trustees.

4.2. The Committee will support the Nominations Committee in the recruitment process for the Chair of the Finance, Audit and Risk Committee.

4.3. The Chair must not be an employee or member of a Member Body.

4.4. Ordinary members will be appointed by the Nominations Committee on the recommendation of the Finance, Audit and Risk Committee.

4.5. Trustees on the Committee that are members or employees of a Member Body will not be considered independent members of the Committee. Their membership of the Committee will run concurrently with their trustee term in office.

4.6. Trustees on the Committee that are not members or employees of a Member Body will be considered independent members of the Committee. Their membership of the Committee will run concurrently with their trustee term in office.

4.7. Members of the Committee that are not trustees will be considered independent members of the Committee and will serve for one term of three years, which is renewable for one further term of up to three years.

4.8. The Chair and independent members who are not trustees will be expected to have accountancy and/or finance and/or risk management expertise.

4.9. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

**5. Attendance of non-members at meetings**

5.1. Only members of the Committee and the Chief Executive have the right to attend Committee meetings. Other individuals may be invited to attend meetings for all or part of any meeting, as and when appropriate and necessary.

5.2. Discussion on confidential matters relating to the executive shall take place in absence of the Chief Executive and attending staff.

**6. Frequency of meetings**

6.1. Meetings shall be held at least four times per annum and, where appropriate, will coincide with key dates in the organisation's financial reporting cycle.

6.2. The Chair of the Committee may request a meeting if they consider that one is necessary. Members of the Committee must be given no less than 5 working days' notice.

6.3. Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the charity's governance, including but not limited to the Board Chair, the Honorary Treasurer, the Chief Executive and other appropriate members of management, and the external auditor.

**7. Quorum**

7.1. Three, of which one may be the Chair, one must be a trustee and two must be independent members of the Committee.

7.2. If the Chair is not available a nominated Committee member who will be an independent member will assume chairing responsibility.

7.3. In the event of a tied vote, the Chair of the meeting will hold the casting vote.

**8. Decision-making**

8.1. Business can be transacted between meetings by electronic circulation.

**9. Reporting procedures**

9.1. The minutes of Committee meetings shall be available on request to all members of the Board.

9.2. The Chair of the Committee, or a delegated individual, will report to the Board after each meeting on all matters relating to the Committee's duties and responsibilities.

9.3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.4. The Annual Report should describe the work of the Committee in discharging its responsibilities, including the significant issues that it considered in relation to the financial statements and how these issues were addressed; an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment, continuation or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and, if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.

## **10. Review**

- 10.1. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.