

XYZ Charity

Finance, Audit & Risk Committee - Terms of Reference



The purpose of this template is to provide model terms of reference for Finance, Audit and Risk Committees. This will be appropriate for smaller or less complex charities, where separate committees for each area are not needed. Financial governance is a responsibility of the Board of Trustees, but can be delegated to committees when the nature and extent of delegation is clearly stated.

In this example, the overall purpose of this committee is to assist the Board in its duty to supervise the broad direction of the Charity's financial affairs and to oversee the audit and risk management processes.

Function

Financial planning and reporting

- Review management accounts and key performance indicators (KPIs) and bring any significant matters of performance to the attention of the Board of Trustees.
- Conduct initial reviews of the financial aspects of the Charity's strategic plans and make recommendations for approval to the Board of Trustees.
- Conduct initial reviews of the Charity's annual budget and make recommendations for approval to the Board of Trustees.

Financial policies and procedures

- Review and recommend to the Board of Trustees any new financial or investment policies or any revisions to existing financial policies. This specifically includes financial reporting policies, the reserves policy and the investment policy.
- To define, with advisers, the Charity's investment strategy, policies and principles and the benchmarks by which they will be measured, for approval by the Board of Trustees.
- Review any proposed revisions to the Financial Procedures Manual and ensure there is assurance that all financial procedures are carried out in accordance with the Manual.
- Review the nature and levels of delegated authorities annually.

Internal controls and risk management systems

- Keep under review the adequacy of the Charity's management information systems.
- Annually review the effectiveness of the Charity's internal control and risk management systems.
- Review the risk policy and register and assess the Charity's risk appetite for each of the major risks identified and make recommendations to be discussed with the Board of Trustees.
- Collate the findings and recommendations from senior management and other committees, in relation to risk, into the Charity's Risk Register.
- Ensure that appropriate management action is being taken to mitigate these risks wherever appropriate.
- In particular, regularly review the financial risks and ensure that the reserves policy adequately addresses these risks.
- Review fundraising activities and gain adequate assurance that fundraising is being conducted in a fair and legally compliant manner.

External Audit

Consider and make recommendations to the Board of Trustees, for annual approval, in relation to the reappointment or removal of the Charity's external auditors.

The Committee will oversee the selection process for new auditors. If an auditor resigns the Committee will investigate the issues leading to this and decide whether any action is required.

Oversee the relationship with the external auditors including but not limited to:

- Making a recommendation to the Board of Trustees as to the approval of their remuneration, whether fees for audit or non-audit services, ensuring that they are sufficient to enable an adequate audit to be conducted.
- Making a recommendation to the Board of Trustees as to the approval of their terms of engagement and the scope of the audit.
- Annually assess their continued independence and objectivity.
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- Review the external auditor's finding and recommendations, and management's responses, and ensure all are received on a timely basis.
- Review any letter of representation requested by the external auditors before it is signed by the Board of Trustees.

Review the annual accounts prior to their approval by the Board of Trustees, focusing in particular on:

- Key accounting policies and practices, and any changes in them.
- The extent to which the financial statements are affected by unusual transactions in the year and how they are disclosed.
- Compliance with accounting standards, the Charities.
- Statement of Recommended Practice, the Companies Act and any other appropriate legal and regulatory requirements.
- Decisions requiring a major element of judgement.
- Significant audit adjustments.
- The going concern assumption.
- The Trustees' report.

Reports received	<ul style="list-style-type: none"> Prior Meeting Minutes Management Accounts KPI Risk Register Investment Strategy Annual Report and Financial Statements Audit Report
Reports to	Trustees
Links to other committees where established	<ul style="list-style-type: none"> Remuneration Fundraising Investment
Status	Standing (Permanent) Committee
Frequency and duration	X times per annum
Minimum required attendance	(X) out of (X) meetings
Chair	Name
Vice chair	Name
Standing agenda items	<ul style="list-style-type: none"> KPI Report Management Accounts Specific agenda for each meeting through Agenda Planner Forward Agenda Planner Month – Audit Report Month – Risk Register Month – Financial Procedures & Policies Month – Investment Strategy Month – Budgets, Reserves and Grants
Minute-taker	Board secretary - name
Archive responsibility	PA to Chief Executive
Quorum	x Trustees
Committee performance review	Annual review

Date updated

Name
(Chair)

Approved by
(trustees)

Name

Date

Name

**Date of next
review**

Name

Regular attendees
(External/Internal
auditors)

Name
(Director)

Name
(Director)

Name
(Chief Executive)



How we can help

If you would like to discuss any matter arising from this example policy please contact MHA on info@mha-uk.com or your usual MHA contact.

This template is designed for information purposes only. Whilst every effort has been made to provide accurate and up to date information, it is recommended that you consult us before taking or refraining from taking action based on matters discussed.



Sudhir Singh
Partner

E: sudhir.singh@mha.co.uk



Stuart McKay
Partner

E: stuart.mckay@mha.co.uk



Nicola Mason
Partner

E: nicola.mason@mha.co.uk

Now, for tomorrow