

Terms of Reference for the Finance, Audit and Risk Committee

Purpose

The role of the Finance, Audit and Risk Committee (the Committee) of the Board is to oversee the formal and transparent arrangements in the application of the financial and internal reporting principles in accordance with best practice or a relevant standard / code and to maintain an appropriate relationship with the company's auditors and assist the Board in establishing the organisation's risk level and risk appetite.

It will also have the responsibility to ensure that Company policies in relation to finance, audit and risk are adhered to. The Committee is a formal sub-committee of the board, with delegated authority to oversee the finance, audit and risk arrangements of the organisation.

Note: square brackets contain recommendations which are in line with best practice but which may need to be changed to suit the circumstances.

Membership of the committee

- The Committee members shall be appointed by the Board of the organisation by resolution of the Board. The number of members appointed to this committee should be a minimum of [two]. All members should be on the Board in the capacity of directors. At least [one] member of the committee should have relevant and recent experience in finance / audit and risk. Any changes to the Committee structure shall be subject to approval of the Board. External members can be appointed to the Committee, but cannot be members of the board.
- The Board shall appoint a Chair for the Committee who must be a member of the Board. If a situation arises that the Chair is incapacitated and cannot attend, the Chair of the Board shall nominate another committee member to chair the meeting.
- The [Company Secretary] shall act as the secretary of the Committee.
- The term of appointment to the Committee shall be [three years], with a potential to renew it for a [second one-year term], provided the Board Member still meets the criteria for membership of the Board. The Board will ensure that there is appropriate rotation of membership to other Board Committees over time. If any of the members are unable to serve on the Committee for some reason, the remaining members may

co-opt another Board Member subject to the approval of the Board. The Board shall remain collectively responsible for the decisions and actions taken by the Committee.

Attendance at Meetings

- The members of the Committee are only entitled to attend Committee meetings. Others may attend Committee meetings at the invitation of the Chair of the Committee. Such persons could include the Chairman of the Board, members of the Board, the CEO, the Finance Manager, representatives of external auditors, staff members, etc
- There should be at least [one] meeting a year where the members of the Committee meet with the external auditors without any executive management team members present.

Meetings

The Committee shall meet a minimum of [three] times in a year. Meetings should be held in person. The External Auditors, may request meetings with the Committee if required. The Committee meetings shall be called by the secretary of the committee at request of any member. Decisions of the Committee will be consensus or by majority vote; in the event of a tied vote the chairman will have the casting vote.

Notice of the meetings

All members of the Committee, and any other persons required to attend the meeting shall be notified of the venue, time, date, together with the agenda and all relevant papers (the Board pack) at least [five days prior] to the date of the meeting.

Quorum

A quorum will be [one third] of the Committee members (excluding staff) or a minimum of [two Directors]. The Committee cannot make decisions in its own right but can make recommendations to the Board.

Minutes of Meeting

The [company secretary] will take minutes of each Committee meeting. All minutes have to be signed by the Chair of the Committee.

Duties

The duties of the Committee will be, but not limited to the ones mentioned below:

Financial Reporting

- The Committee shall monitor the integrity of the financial statements of the company, including its annual reports, management accounts and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
- In particular, the Committee shall review and challenge where necessary:
 - The application of significant accounting policies and any changes to them;
 - The methods used to account for significant or unusual transactions where different approaches are possible;
 - Whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements; and
 - Review all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.
- The Committee shall review any other statements requiring Board approval which contain financial information.
- Where the Committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the Board.

Narrative reporting

- Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and members to assess the company's performance, business model and strategy.

Audit

- To oversee the relationship with the company's external auditors.
- Review the terms of engagement and fees to be paid to the external auditors for audit services.
- To consider and make recommendations on the appointment, re-appointment, tenure, removal, fees and terms of engagement of the external auditor to the Board.
- To monitor the external auditor's effectiveness, objectivity and independence and manage the audit tender process on an [five] yearly basis. In addition monitor the conflict of interest declaration register for any relationship between the Board of Directors and the External Auditor.
- To discuss with the external auditors, the findings of their work and major issues that have been identified during the audit which need to be addressed by the Committee and/or brought to the attention of the Board.
- To meet with the external auditors for the purpose of reviewing the draft annual statutory accounts and management letter and to recommend the accounts to the Board for approval with comments as appropriate.

Internal Control

- To review the effectiveness and independence of the company's internal control framework and processes including financial reporting and financial controls to ensure their integrity.
- To review the procedures for detecting fraud and whistle-blowing in relation to all aspects of operations.

Risk Management

- To review the organisation's appetite for risk, particularly for reputational, liquidity, data protection, operational risk etc and make recommendations on risk appetite to the Board.
- To develop the risk policy to ensure consistency with the organisation's risk appetite
- To review the company's risk profile against its risk appetite and strategy and review the drivers of these changes, if any.
- To review the organisations capability to identify and manage new risk types.
- To review the design, completeness and effectiveness of the risk management framework; review the adequacy of concerns raised by the staff, or others, such as detecting fraud or the prevention of bribery.
- To keep under review the organization's overall risk assessment process that informs the Board's decision making

- To set a standard for the accurate and timely monitoring of risk types of critical importance.
- To review annually the adequacy and quality of the organisation's compliance and risk function and ensure that it has adequate resources.
- To approve the statements to be included in the annual report concerning internal controls and risk management.
- To review reports on any material breaches of risk limits and the adequacy and timeliness of action taken by executive management.
- To ensure the individual responsible for risk or equivalent has the right of unfettered direct access to the Chair of the Board and to the Finance, Audit and Risk Committee.

Reporting

- The Chair of the Committee should attend the Board meeting at which the statutory accounts are approved.
- The Committee should review its terms of reference on an annual basis, make any changes if necessary and recommend them to the Board and seek approval for the same.
- Draft Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all other members of the board .
- The Committee shall produce an annual report of the organisation's risk management policy and practices to be included in the annual reports and accounts.
- The annual report should contain a report from the Committee on how it has fulfilled its role since the last annual report.
- The Chair of the Committee should attend the company's Annual General Meeting (AGM) and answer any questions related to the Committee's activities and responsibilities.

Authority

The committee is authorised by the Board to:

- Investigate any activity within the agreed terms of reference and will have full access to information and the resources across the organisation which it needs to do to perform its role.
- Seek any information it requires from staff to fulfil the duties
- Obtain any legal or other independent professional expert advice at the organisations expense subject to Board approval if necessary.