

## TERMS OF REFERENCE – FINANCE AND AUDIT COMMITTEE

### **I. Membership**

- 1.1. Members of the Finance and Audit Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee, in consultation with the Chairman of the Finance and Audit Committee. The Committee shall be made up of at least 4 members.
- 1.2. All members of the Committee shall be directors.
- 1.3. Other individuals such as the Chairman of the Board, the Chief Executive, the Head of Finance and Development, and the Finance Manager may attend all or part of any Meeting, as and when appropriate.
- 1.4. The external auditors will be invited to attend meetings of the Committee at least once a year.
- 1.5. Appointments to the Committee shall be for a period of up to three years, which may be extended for one further three year period.
- 1.6. The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

### **2. Secretary**

- 2.1. A member of Central Office staff shall act as the Secretary of the Committee

### **3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **4. Frequency of Meetings**

- 4.1. The Committee shall meet at least four times a year and otherwise as required.

### **5. Notice of Meetings**

- 5.1. Dates of meetings of the Committee shall be organised at the beginning of the year and others may be summoned at the request of the Chairman.
- 5.2. 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, any other person required to attend, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **6. Minutes of Meetings**

- 6.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee.
- 6.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee.

## **7. Annual General Meeting**

- 7.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

## **8. Duties**

### 8.1. Financial Reporting

- 8.1.1. The Committee shall review and monitor the financial statements of the company.
- 8.1.2. The Committee shall review and challenge where necessary:
  - 8.1.2.1. the consistency of, and any changes to, accounting policies both on a year on year basis and across the company.
  - 8.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
  - 8.1.2.3. whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
  - 8.1.2.4. the clarity of disclosure in the company's financial reports and the context in which statements are made; and
  - 8.1.2.5. all material information presented with the financial statements.
- 8.1.3. The Committee shall review the annual financial statements of the pension funds.

### 8.2. Internal Controls and Risk Management Systems

The Committee shall:

- 8.2.1. keep under review the effectiveness of the company's internal controls and risk management systems
- 8.2.2. review and approve the statements to be included in the annual report concerning internal controls and risk management.
- 8.2.3. make recommendations to the Board on any changes that the Committee believe are required to the internal controls and risk management systems.

### 8.3. Whistleblowing

The Committee shall approve the company'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.

#### 8.4. Internal Audit

The Committee shall:

- 8.4.1. monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system;
- 8.4.2. approve the appointment and removal of the head of the internal audit function;
- 8.4.3. approve the remit of the internal audit 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. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 8.4.4. review and assess an annual internal audit plan;
- 8.4.5. review promptly all reports on the company from the internal auditors;
- 8.4.6. review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 8.4.7. meet the head of internal audit at least once a year, without management being present if the Committee so wishes, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit has the right of direct access to the Chairman of the Board and to the Committee.

#### 8.5. External Audit

The Committee shall:

- 8.5.1. consider and make recommendations to the Board for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the company's external auditor. 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;
- 8.5.2. oversee the relationship with the external auditor including (but not limited to):
  - 8.5.2.1. approval of their remuneration and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - 8.5.2.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 8.5.2.3. 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;
  - 8.5.2.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);

- 8.5.3. meet with the external auditor, 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;
- 8.5.4. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.5.5. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 8.5.5.1. a discussion of any major issues which arose during the audit;
  - 8.5.5.2. any accounting and audit judgements; and
  - 8.5.5.3. levels of errors identified during the audit.

The committee shall also review the effectiveness of the audit.

- 8.5.6. review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.7. review the management letter and management's response to the auditor's findings and recommendations; and
- 8.5.8. approve a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

#### 8.6. Finance Policy

The Committee shall:

- 8.6.1. develop and make recommendations to the Board in relation to financial, reserves, capital expenditures and investment policies.
- 8.6.2. advise the Board on the financial implications of the organisation's strategy and its recommendations in relation to meeting the costs of its implementation.

#### 8.7 Remuneration of senior management

The Committee shall determine and agree with the Board a broad framework or policy for the remuneration of the Chief Executive and other senior management, including the provision of appropriate incentives to encourage enhanced performance.

#### 8.8 Affixing the Company Seal on documents

The Committee shall approve the affixing of the Company Seal on relevant documents and will nominate the people to sign such documents on behalf of the Company.

#### 8.9 Reporting Responsibilities

- 8.9.1. The Committee Chairman shall report regularly to the Board on its activities.
- 8.6.2. A report of the activities of the Committee shall be included in the company's annual report.

#### 8.10. Other Matters

The Committee shall:

- 8.10.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.10.2. ensure that the work of the internal and external auditors is co-ordinated;
- 8.10.3. oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 8.10.4. 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.

#### **9. Authority**

The Committee is authorised:

- 9.1. to seek any information it requires from any employee of the company in order to perform its duties;
- 9.2. to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 9.3. to call any employee to attend at a meeting of the Committee as and when required.