

# Finance and audit committee

## TERMS OF REFERENCE

### 1. Scope

#### 1.1. Purpose

To monitor the financial health of the organisation, taking account of the associated risks; and to assist the board of trustees in its responsibilities for the financial statements, reporting systems and internal controls.

To monitor the wider system of internal controls and practices. This includes the effectiveness and objectivity of the internal audit and external audit arrangements including resourcing, review of plans, internal audit reports and reporting of the annual assurance opinion.

#### 1.2. Authority

The committee has delegated authority from the board of trustees in accordance with the terms of reference.

#### 1.3. Reporting

The committee reports to the board of trustees.

### 2. Membership

#### 2.1. Chair

The committee will be chaired by a trustee appointed by the chair of the board of trustees.

#### 2.2. Members

Core membership of the committee will comprise:

- Up to four trustees (one of whom will be chair of the committee; and one of whom will be a member of the risk and assurance committee)
- The chair of the board shall not be a member of the committee.
- Up-to two external advisors with recent and relevant finance and/or audit experience.

#### 2.3. Other attendees

The chief financial officer, head of internal audit and external audit lead partner will be invited to attend meetings of the committee.

The chief executive officer will attend as necessary, given they hold accountability for the effectiveness of the system of internal controls.

The chair of the board may attend.

The committee may invite other attendees (non-voting) to act in an advisory capacity, as deemed necessary.

#### 2.4. Term of office

Two terms of four years each; coterminous with each trustee's terms of office.

External members will be appointed for a fixed term of four years, renewable once.

#### 2.5. Quorum

Quorum is set at three members, two to be a trustee.

### **3. Responsibilities**

The responsibilities of the committee shall be to:-

#### **3.1. Finance and planning**

- 3.1.1. Review the financial model that underpins the strategy for the organisation to assist the board's accountability.
- 3.1.2. Review the financial framework (3 year forecast) as the top down basis for establishing the annual budget and consider whether resource allocation processes are in line with strategy.
- 3.1.3. To consider and recommend the annual plan and budget in advance of each financial year, for the approval of the board. Each budget shall cover all planned activities, together with implications (i.e. income and expenditure, cash and reserves).
- 3.1.4. To consider and recommend the reserves policy to the board for their approval annually.
- 3.1.5. To ensure that the board receives annually a timely trustees' report and accounts in respect of each financial year; and to recommend for the approval of the board audited consolidated accounts and the letter of representation to the auditors for the organisation each year, in accordance with the requirements of charity law (including the Charity Commission's Statement of Recommended Practice).
- 3.1.6. To review the most recent monthly management accounts against budget.
- 3.1.7. To review and recommend to the board all project proposals (capital or revenue investment) and business cases as delegated to the committee in the decision-making matrix,
- 3.1.8. To authorise, on behalf of the board, loans or advances against the organisation's funds, provided that such authorisation is consistent with the organisation's policies.
- 3.1.9. To monitor and review the performance of organisation's pension schemes and the associated scheme valuations under FRS102 and the triennial review to the pensions' trustees.
- 3.1.10. To undertake any other tasks specifically delegated to it by the board.

#### **3.2. Risk management**

- 3.2.1. The committee's focus is on financial risks including investments.
- 3.2.2. Annually review the effectiveness of the British Red Cross' internal financial control framework.

#### **3.3. Internal audit and counter fraud**

- 3.3.1. Review and approve the risk based internal audit plan and the resources to deliver the plan to enable an independent assessment of the organisation's system of internal control.
- 3.3.2. Review and approve the internal audit charter and evaluate the effectiveness of the British Red Cross' internal audit function ensuring that it has appropriate standing within the organisation.
- 3.3.3. Receive summary findings from all internal audit reports and full reports for those with limited opinions. The committee may also request full copies of other internal audit reports.
- 3.3.4. Summary findings of operational audits including those related to service quality, clinical governance and health and safety will be referred to the risk and assurance committee for review. The risk and assurance committee should also receive full reports for audits with limited opinions.
- 3.3.5. Review findings from the internal audit reports, adequacy of management responses and actions taken by management to implement control actions and/or mitigate associated risks.
- 3.3.6. Review summary reports on fraud, investigations and whistleblowing including

those reportable to the charity commission or other regulatory bodies.

3.3.7. Receive assurance on counter-fraud arrangements.

### **3.4. External audit**

3.4.1. Consider the appointment, removal or resignation of the external auditor. Oversee the process for selecting the auditor and to make appropriate recommendations to the board concerning the reappointment of the external auditor. Assess the independence and objectivity of the external auditor, and to ensure that the nature and amount of non-audit work does not impair the external auditor's independence and objectivity.

3.4.2. Discuss with the external auditor the nature, scope, plan and effectiveness of the annual audit process taking into account relevant UK professional and regulatory requirements and review the auditor's quality control procedures and the steps taken by the auditor to respond to changes in regulatory and other requirements.

3.4.3. Approve the auditor's engagement letter (including audit fees) and review the auditor's management letter and management's response.

3.4.4. At least once a year, meet with internal audit and external audit (either together or separately), without management present.

### **3.5. Oversight of Investment Working Group**

3.5.1. Receive and consider, on behalf of the board, minutes and the annual report from the investment working group which reports to the finance and audit committee.

### **3.6. External advice**

3.6.1. The committee is authorised, where necessary, to obtain external advice required to discharge its responsibilities.

## **4. Management**

### **4.1 Secretary**

A secretary shall be appointed who will arrange, convene, attend and record all meetings of the committee.

### **4.2 Papers/agenda**

The secretary to the committee is responsible for circulating papers for the meetings. Agenda and papers will be circulated to all members at least 5 working days before the meeting.

### **4.3 Meetings**

The committee will meet at least three times a year. Additional meetings may take place at the committee chair's request, and decisions be formally recorded and noted at the next formal meeting.

### **4.4 Attendance**

Members are expected to attend all meetings of the committee unless agreed by the chair. Ex-officio members must nominate a suitable deputy if unable to attend. Attendance by tele/video conference can be agreed with the chair.

### **4.5 Minutes / reporting**

The secretary to the committee shall aim to distribute minutes of each meeting to committee members within ten working days. Minutes will be shared with the board at the following board meeting.

The committee chair will report formally to the board on the committee's proceedings.

## **5. Version control**

### **5.1 Approval**

These terms of reference were approved by the board of trustees at their meeting on 20 February 2024.