**Finance, Audit, and Risk subcommittee - Terms of Reference**

**1. Purpose**

The Committee acts as the:

1. a) Audit Committee
2. b) Risk Committee
3. c) Finance Committee

In each case its role is to consider financial aspects of the Charity’s activities including its operational and strategic plans, so as to ensure the Charity’s short and long-term viability and to act in an advisory capacity to the Board.

**2. Remit**

***a) Audit***

The overall responsibility of the Committee is:

* To oversee the statutory financial audit and reporting process ensuring the balance, transparency and integrity of published financial information
* To review the effectiveness of the independent audit process and the internal control processes.

In detail:

* to oversee the process for selecting and appointing the external auditor, agree the audit fee, and make recommendations to the Board as to appointment;
* to discuss and agree with the external auditor, before the audit commences, the nature and scope of the audit and agree the annual audit plan;
* to keep under review the scope, results and cost-effectiveness of the audit and the independence, objectivity and compliance record of the external auditors;
* on behalf of the Board to ensure its obligation to take all steps to disclose all relevant information to the external auditor is met;
* to review and agree the annual audited financial statements before submission to the Board and specifically agree: any changes in accounting policies; major areas of judgement (including cost allocations); significant adjustments resulting from the audit; compliance with Charity legal requirements and financial reporting standards; presentation of the accounts from a non-financial perspective;
* to discuss with the auditor matters arising from the audit and consider the auditor's management letter before its submission to the Council;
* to review annually the independence and objectivity of the external auditor, monitoring the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
* to oversee the development and implementation of policy on the delivery of non-audit services by the external auditor, ensuring specific approval by the Committee of any decision to commission such services. This policy must take into account relevant regulations and ethical guidelines.
* to consider the need or otherwise to establish an internal audit function, and where established, to review the work programme and resources of the function and consider the findings of any internal audit investigations;
* to review and agree internal financial and related controls and policies.

*Other matters*

Consider the effectiveness of arrangements for:

* the investigation of fraud or other questions of loss, financial irregularity or impropriety;
* employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or the operation of internal controls. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
* receive reports of the outcomes of any investigations under the Charity’s Whistleblowing procedure;
* promoting value for money through economy, efficiency and effectiveness in the management of the Charity’s resources and the management and quality assurance of data;
* the safeguarding of the assets of the Charity and of the use of its funds, particularly funds deriving from the public sector;
* proper corporate governance.​​​​​​​
* consider any matters falling within its remit arising from reports of external bodies such as the Scottish Government or regulatory bodies.
1. ***b) Risk***

The overall responsibility of the Committee is to review risk management in the Charity, including consideration of the Charity's exposure to risks generally, and specifically those which threaten the strategic direction of the Charity, making recommendations to the Board as appropriate. In detail:

* to review risk management strategy, agree risk appetite and recommend to the Board as appropriate;
* to review policy and practise in respect of information assurance and data protection;
* to consider regulatory and legal risks and agree appropriate mitigations.
1. ***c) Finance***

The overall responsibility of the Committee is to oversee and review regularly all financial aspects of the Charity’s activities including its operational and strategic plans so as to ensure its short and long-term viability. In detail:

* to ensure the Charity operates according to financial guidelines set by regulatory bodies, including the Office of the Scottish Charity Regulator (OSCR) and others, and best practice;
* to advise the Board on financial targets and policies (such as reserves) and to ensure appropriate performance reporting against targets;
* to advise the Board on the financial implications and operational risks arising from Board decisions;
* to review annually longer-term forecasts of income and expenditure, including capital spend, in the context of financial trends within the Charity and more generally;
* to evaluate the budget envelope for the forthcoming financial year in the context of longer-term forecasts and make recommendations to the Board to inform the detailed operational plan and related budget for the year;
* to agree the detailed budget for the forthcoming year and make recommendations to the Board;
* to review the management accounts on a periodic basis (including cashflow) and monitor performance against budget and agreed KPIs, to ensure proper financial management and assess the implications for the Charity's overall financial position, and provide feedback to the Board as appropriate;
* to consider and approve un-budgeted initiatives, within limits specified by the Board, and report on these to the Board;
* to consider such other topics as the Board decides.

**3. Membership and Chair**

The Committee will comprise at least two members of the Board and, with the agreement of the Board, may co-opt one lay member. The Chair of the Board is an ex officio member of the Committee but does not have voting rights. The Finance Manager will attend as an ex officio member.

Subject to the overriding discretion of the Board, each member may serve for a term two years and shall then be eligible for re-appointment for a further term.

Members must be financially literate and have, or be able to acquire (with the support of the Charity):

1. a) commitment to the aims and objectives of the Charity;
2. b) understanding of its culture and commitment to its values;
3. c) understanding of its structure, including governance arrangements and key relationships;
4. d) understanding of any relevant legislation or other rules governing charities;
5. e) ability to ask challenging questions and contribute an objective and independent perspective;
6. f) ability to analyse complex information;
7. g) willingness to devote the necessary time to the role.

Members of the Committee will be responsible for periodically self-assessing the financial and other qualifications of Committee members against those skills needed to fulfil the Committee's roles and responsibilities, recommending plans to the Board to address any skills gaps.

The Chair of the Committee will be appointed by and must be a member of the Board. The appointment of the Chair will be reviewed annually by the Board. The role of Chair encompasses the following duties:

1. a) In consultation with the CEO or other board or committee members, schedule dates, times and location for meetings;
2. b) Ensure meeting are called and held in accordance with the Charity’s Constitution and in order to meet the requirements set out in these Terms of Reference;

1. c) In consultation with the Business Manager, and/or other board or committee members establish and confirm an agenda for each meeting;
2.
3. d) Ensure the meeting agenda and relevant documents are circulated to the members of the committee no less than one week in advance of the meeting;
4. e) Officiate and conduct meetings;
5. f) Provide leadership and ensure committee members are aware of their obligations and that the committee complies with its responsibilities;
6.
7. g) Ensure there is sufficient time during the meeting to fully discuss agenda items;
8. h) Ensure that discussion on agenda items is on topic, productive and professional;
9.
10. i) Ensure minutes are complete and accurate, retained, included and reviewed at the next meeting and circulated to Board promptly;

j) Escalate matters for discussion and / or decision to the RDS Board as considered necessary.

**4. Quorum**

There must be a quorum of two Committee members present for a meeting to take place.

**5. Attendance of staff / others at meetings**

When fulfilling the role of audit committee, the Committee may meet without having staff present if appropriate. The Chair of the Committee will then be responsible for ensuring the minutes are recorded.

In all other circumstances, it is expected that the Business Manager will attend meetings and organise minutes to be taken. The Committee may request the attendance of other members of staff as appropriate.

The Committee may request the attendance of representatives of the Charity's professional advisors where appropriate and in line with the Charity’s procurement process and financial controls

**6. Minutes**

Minutes will record decisions, actions, recommendations and the rationale for them only, and will not constitute a verbatim record of the meeting. Minutes will be circulated to the Committee and to the Corporate Management Group within two weeks of the meeting and to the Board at their next meeting.

**7. Communication**

Board members who sit on the Committee will be responsible for ensuring effective two-way communication between the Committee and the Board. The Committee will be required to present at least one formal report assessing its performance to the Board each year.

**8. Meetings**

It is anticipated that the Committee will meet at least four times a year, and will agree an annual workplan before the start of each financial year.

**9. Conflict of interest**

Members of the Committee will abide by the Charity's conflict of interest policy, and any other relevant policies, at all times.