

Terms of reference Crichton Foundation – Audit Committee

Roles and responsibility

The Audit Committee will take delegated responsibility on behalf of the Board of Trustees for ensuring that there is a framework for accountability; for examining and reviewing all systems and methods of control both financial and otherwise including risk analysis and risk management; and for ensuring the charity is complying with all aspects of the law, relevant regulations and good practice.

1. Membership

- 1.1 The committee shall comprise at least three persons. Members of the committee shall be appointed by the Board.
- 1.2 No member of the committee shall be an employee or contractor or otherwise have a conflict of interest. At least one member shall ideally have recent and relevant experience. The Convenor of the Board and Honorary Treasurer shall not be members of the committee.
- 1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the Convenor, Honorary Treasurer, employees, contractors and other directors, may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The external auditor may be invited to attend meetings of the committee.
- 1.5 Appointments to the committee shall be for a period of up to three years, which may be extended for a further period of up to three years, provided the appointee still meets the criteria for membership of the committee.
- 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

The company secretary or his or her nominee shall act as the secretary of the committee if so requested.

3. Quorum

The quorum necessary for the transaction of business shall be two 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

The committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required. If items are circulated for discussion these shall be reported to the Board and recorded at the next meeting.

5. Notice of meetings

- 5.1 Meetings of the committee shall be called by the secretary of the committee at the request of any of its members or at the request of the external auditor if they consider it necessary.
- 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, and any other person required to attend, no later than five working days before the date of the meeting. The agenda will be approved in advance by the committee chairman. 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 of the meeting shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes shall be circulated promptly to all members of the committee. Draft Minutes approved by the Chairman should be circulated to all other members of the board unless it would be inappropriate to do so.

7. Annual General Meeting

The Chairman or his/her representative should attend the Annual General Meeting to answer any questions on the committee's activities.

8. Duties

The committee should carry out the duties below for the Scottish Charitable Company, as appropriate.

8.1 Financial reporting

8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual report, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

8.1.2 In particular, 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 charitable 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, insofar as it relates to the audit and risk management.

8.2 Internal controls and risk management systems

The committee shall

8.2.1 keep under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems; and

8.2.2 review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.3 Compliance, whistleblowing policy and fraud

The committee shall

8.3.1 review the adequacy and security of the company's arrangements for its employees and contractors 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

8.3.2 review the company's procedures for detecting fraud

8.3.3 review the company's systems and controls for the prevention of bribery and receive reports on non-compliance

8.3.4 review the adequacy and effectiveness of the company's anti-money laundering systems and controls

8.3.5 keep under review the adequacy and effectiveness of the company's compliance function

8.4 Internal audit

The committee shall monitor and review the effectiveness of the company's internal financial controls in the context of the company's overall risk management system

8.5 External Audit

The committee shall

8.5.1 consider and make recommendations to the Board, to be put to members for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for a new auditor 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 recommendations on their remuneration, whether fees for audit or non-audit services 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 UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services
- 8.5.3 The committee shall meet the external auditor at least once a year.
- 8.5.4 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 8.5.4.1 a discussion of any major issues which arose during the audit
 - 8.5.4.2 any accounting and audit judgements
 - 8.5.4.3 levels of errors identified during the audit
 - 8.5.4.4 the effectiveness of the audit

The committee shall also

- 8.5.5 review any representation letter(s) requested by the external auditor before they are signed by management
- 8.5.6 review the management letter and management's response to the auditor's findings and recommendations

9. Reporting responsibilities

- 9.1 The committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The committee shall not report routinely, on its activities, in the Foundation's financial statements. If the committee has specific concerns or issues, which they wish to bring to the attention of members, they may request the inclusion of an appropriate report in the financial statements.

10. Other matters

The committee shall

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required
- 10.2 oversee any investigation of activities which are within its terms of reference
- 10.3 arrange for an annual review of its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. Authority

The committee is authorised

- 11.1 to seek any information it requires from any employee/contractor to the company in order to perform its duties
- 11.2 to obtain, at the company's expense and subject to prior Board approval, legal or other professional advice on any matter within its terms of reference
- 11.3 to call any employee/contractor to be questioned at a meeting of the committee as and when required
- 11.4 to have the right to publish in the Company's annual report and on the website, details of any issues that cannot be resolved between the committee and the Board.

Amended 9th April 2014
Confirmed 3rd June 2015
Amended 3rd February 2016
Amended 8th August 2017