

AUDIT & RISK COMMITTEE

Constitution and Terms of Reference

1. PURPOSE

- 1.1** The purpose of the Audit & Risk Committee (ARC) is to provide an objective and independent review of the design and operation of risk management, control and governance processes operated across the Institution (including trading subsidiaries). ARC reviews controls covering:
- a) Appropriateness and effectiveness of risk management processes.
 - b) Consistency of operations and programmes with established objectives and goals.
 - c) Effectiveness of governance processes and institutional structures.
 - d) Reliability and integrity of financial and operating information.
 - e) Efficiency and effectiveness of operations.
 - f) Safeguarding of assets (including investments).
 - g) Compliance with legislation, regulations and contracts.
 - h) Delivery of major programmes and initiatives.
 - i) Quality and continuous improvement.
- 1.2** ARC reviews compliance with the Institution's management systems and the response of the Institution to significant identified risks. When required, ARC may provide support to the Institution on improvement initiatives and ad hoc reviews and investigations in relation to risk and controls.

2. DUTIES

- 2.1** Responsible for developing an audit framework and ways of working that support the consistent delivery and reporting of audit results, and audit activities that follow principles aligned to International Internal Audit Standards.
- 2.2** Maintain oversight of internal controls used to manage risks at acceptable levels, including the risk of fraud. To present to the Trustee Board an annual review of the risk profile and management systems and controls for the Institution and its subsidiaries.
- 2.3** Accountable for monitoring and reviewing the effectiveness of the Institution's risk management, including ensuring staff responsibilities for managing, maintaining, and updating the corporate risk register.
- 2.4** Accountable for reviewing a rolling programme of internal audits - aiming for complete Institutional coverage at least every three years. Review the outcomes and report to the Trustee Board on their effectiveness and make recommendations for change. The Trustee Board is responsible for implementing any improvements identified by ARC.

- 2.5** Review the institutional structure of every group or activity audited to assess appropriate processes are in place.
- 2.6** Ensure the rolling programme of internal audits is developed using a risk-based methodology. Ensure the programme focuses on (but is not restricted to) the highest areas of risk. The programme shall be approved annually by the Trustee Board, and any significant deviation from the approved plan will be communicated to the Trustee Board.
- 2.7** Any external body risk investigations required shall be authorised by the Trustee Board.
- 2.8** Confirm to the Trustee Board the production of the Annual Accounts is in line with relevant legislation, regulations, and good practice.
- 2.9** To produce audit and risk management statements for inclusion in the Institution's Annual Report.
- 2.10** To oversee the process of appointing Statutory Auditors to the Institution, including appointment and remuneration criteria, provision of non-audit services, and questions of resignation or dismissal. Make appropriate recommendations to the Trustee Board.
- 2.11** The committee will meet with the Statutory Auditors without the presence of management at least once per annum, and at other times as required for the fulfillment of ARC duties.
- 2.12** Ensure an appropriate quality assurance process is in place for all internal audit activities and report to the Trustee Board on the results of this process, which may include internal and external assessments. These reports shall also cover conformance with the Institute of Internal Auditor's International Professional Practices Framework.

3. REPORTING RESPONSIBILITIES

- 3.1** ARC Chair or representative will report to the Trustee Board twice a year, and at other times as required by its activities, regarding:
 - a) Delivery performance relative to the agreed programme.
 - b) Results and findings from audit engagements or other activities.
 - c) Timeliness of closure of agreed actions.
 - d) Significant risk exposures and control issues.
 - e) Resource requirements and constraints in delivering its programme.
- 3.2** ARC will produce audit and risk management statements for inclusion in the Institution's Annual Report, including but not limited to descriptions of how it discharged its duties, significant risks and issues and their mitigation or resolution, assessment of the external audit process, and (re-)appointment of Statutory Auditors.
- 3.3** ARC will share with all members via the Online Membership area a summary of ARC activities at least four times a year.
- 3.4** The Trustee Board or independent external consultants commissioned by the TB will review the performance, Constitution and Terms of Reference of ARC once every three years to ensure it is operating effectively. The first review will be March 2023.

4. MEMBERSHIP

4.1 ARC comprises the following roles:

No.	Role	Basis of Appointment	Term	Type
1	Chair	A Trustee with relevant skills, knowledge and experience. Appointed by the Trustee Board.	Up to 3 years.	Voting
1	Deputy Chair	A Trustee with relevant skills, knowledge and experience. Appointed by the Trustee Board.	Up to 3 years.	Voting
1	Past President	Recommended by President approved by the Trustee Board and endorsed by Nomco.	Up to 3 years.	Voting
Minimum of 4	Ordinary Members	May be a Member or Non-Member. Must have relevant knowledge, skills and experience in a key area of audit, accountancy, governance, institutional structures and reviews or risk management. Recommended by NomCo with participation from a member of ARC and endorsed by the Trustee Board.	Up to 3 years	Voting
1	Secretary	Chief Governance Officer – current post holder.	-	Non-voting

4.2 If the Chair or Deputy Chair cease to be a Trustee during their designated term with ARC, they also cease to be a member of ARC.

Conduct

4.3 ARC members are required to commit to:

- The Institution's Values, Behaviours and Code of Conduct, and the Institute of Internal Auditor's International Professional Practices Framework.
- Self-reporting conflicts of interest or of loyalty when dealing with ARC matters.
- Maintaining the confidentiality of ARC / Institution business.

Training

4.4 ARC members shall undertake induction, training and refreshers as required to maintain the skills and knowledge for their roles and the broader capabilities and effectiveness of ARC.

Independence

4.5 To ensure independence, ARC has unrestricted access to the Trustee Board including private meetings without Executive/Employees present if necessary.

4.6 ARC Members and Auditors shall have no direct operational responsibility or authority over any areas audited and shall not be involved in any activities that could impair their judgement.

4.7 The ARC Chair will confirm at least annually to the Trustee Board the organisational independence of the ARC and its activities and shall disclose at any time to the Trustee Board any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

5. SECRETARIAT

- 5.1** The Chief Governance Officer or their nominee shall provide ARC with a professional secretariat service including the preparation of papers and minuting of meetings.
- 5.2** Subject to prevailing business needs established by the Trustee Board or Chief Executive, ARC may be authorised access to other corporate resources required to support its work.

6. MEETINGS

Definition

- 6.1** ARC meetings may be held either virtually or face-to-face. Members may virtually join a face-to-face meeting without it affecting their attendance record or right to vote.

Participation

- 6.2** Only ARC members have the right to attend ARC meetings, and only voting members listed in the table above may participate in ARC votes.

- 6.3** At the discretion of the Chair and as appropriate for the business at hand, other individuals may be invited to attend as observers part or all of an ARC meeting.

Quorum

- 6.4** For an ARC meeting to be quorate four members, including either the Chair or Deputy Chair, must be present either virtually or in person.

- 6.5** It is noted March 2021 ARC is underserved; the committee will recruit for members following the Annual Elections. Quorum will be three until such time the committee is filled.

Decisions

- 6.6** Decisions at quorate meetings will be determined by a vote taken by eligible members, with the chair of the meeting holding the casting vote in the event of a tie.

- 6.7** If a decision is required outside of a quorate meeting:

- a) A written resolution must be sent to or shared with, preferably by digital means, to all ARC members eligible to vote.
- b) The resolution must be approved by at least as many members as required to form a quorum at a meeting.
- c) Written resolutions voted on in this way out of meetings will be considered to be as valid as a decision voted on in a quorate meeting.

Frequency

- 6.8** ARC will meet a minimum of four times a year. Members are required to attend a minimum of three meetings per year. If an ARC member is unable to maintain the required attendance levels the ARC Chair may recommend to the Trustee Board the member's appointment is terminated.

Board Papers

- 6.9** All Board agendas and paper shall be distributed at least five days (Including a weekend) prior to each meeting and stored in a access controlled, electronic shared workspace.

7. AUTHORITY

- 7.1** The ARC operates on behalf of the Trustee Board and shall have full and unrestricted access to the Board and all parts of the Institution (including trading subsidiaries), including records, property and personnel pertinent to carrying out any activity pursuant to its duties. ARC is accountable for maintaining the confidentiality and safeguarding of records and information provided to it in the course of its work.

8. ACCOUNTABILITY

- 8.1** ARC's responsibilities are delegated to it by the Trustee Board. ARC is accountable to the Trustee Board for the conduct of its committee operations, completion of its required activities and delivery of its duties.

9. APPROVAL

- 9.1** This document was approved by the Trustee Board on 17 March 2021 and amended on 21 April 2022. It is subject to review and re-approval every two years and, by exception, at other times as required by ARC or the Trustee Board. The first review will be undertaken in March 2023.