

## **TERMS OF REFERENCE – RISK, AUDIT AND FINANCE COMMITTEE v16**

### **1. Status**

The Risk, Audit and Finance Committee reports to the Institute's Trustee Board.

The Risk, Audit and Finance Committee is authorised to:

- 1.1 Seek any information that it requires from any employee, member or volunteer of the BCS Group and such individuals are directed to co-operate with any request made by the committee, and
- 1.2 Obtain appropriate external legal and other professional advice and secure the attendance of outsiders with relevant experience if it considers this necessary.

The Risk, Audit and Finance Committee takes an independent and objective view of operational and risk management matters across BCS Group, and is expected to carry out its business in a detached manner at all times. It will liaise as necessary with the Boards of BCS subsidiaries.

### **2. Purpose**

The principal purposes of the Risk, Audit and Finance Committee are to:

- Provide additional assurance on the quality and reliability of the financial information used by Trustee Board and the Boards of BCS subsidiaries, and the financial statements issued by the Institute and its subsidiaries.
- Review the policies and procedures operated for both financial and non-financial risk management and internal control.
- Oversee all BCS Group internal and external audit activities, including the engagement of the external auditor to supply audit and non-audit services to the Institute and its subsidiaries.

### **3. Key Responsibilities**

In support of its purpose the Risk, Audit and Finance Committee will be responsible for:

#### **3.1 Risk Management**

- To review the risk management process to ensure the process for identifying, assessing, monitoring and reporting strategic risks and key operational risks is adequate.
- At each meeting to review the major risks and issues and to consider if mitigations are appropriate, new risks, if risk ratings need to be adjusted or closed.

#### **3.2 Internal controls**

- To review the effectiveness of the control environment for both financial and non-financial risk management (which includes policies).

### 3.3 Financial reporting

- To review the annual report and financial statements of the BCS Group and its subsidiaries for compliance with regulatory and financial reporting requirements, including the Charities Statement of Recommended Practice (FRS 102);
- To review the accounting policies adopted; and
- To recommend the financial statements to Trustee Board and the Boards of BCS subsidiaries for approval.

### 3.4 External audit

- To oversee the audit of the financial statements;
- To review the activities, findings, conclusions and recommendations of the external auditor for the separate legal entities within the Group; and
- To monitor non-financial audits by external auditors (licence reviews, accreditation as an awarding body and compliance under International Organisation for Standards (Certification)).

### 3.5 Internal audit

- To approve an annual internal audit programme and ensure it reflects the risk framework.

### 3.6 Governance and compliance

- To monitor whether the BCS Group is complying with its Royal Charter and bye-laws;
- To review the framework for accountability – including modus operandi of the Institute's Boards and Committees;
- To review the processes for setting and delivering strategy, business planning, budgeting and management information;
- To review compliance with legal and regulatory requirements, including the requirements of the Charity Commission, HMRC, GDPR, Ofqual, the Institute for Apprenticeships and Technical Education and such others as may be relevant.

### 3.7 Financial performance

- To review the financial performance of the BCS Group.

### 3.8 Investment management

- To scrutinise investment management arrangements and performance.

## 4. Strategic Planning and Management

The Risk, Audit and Finance Committee will produce an annual activity plan supporting the BCS Group's one-year operational plan. It will review achievements against this plan at the end of each annual cycle.

## 5. Constitution and Membership

All appointments to the Risk, Audit and Finance Committee (RAF), with the exception of the Chair, shall be based on nominations by the Vice-President Finance, subject to ratification by the Trustee Board. Nominations may be sought from the Nominations Committee, or by recommendation from RAF members. Nominations for Council member shall be sought from the Chair of Council. Nominations for L&D representative shall be sought from the Chair of the L&D Board. In all cases, the nomination decision rests with Vice-President Finance. Appropriate skills are set out in the Risk, Audit and Finance Committee Skills Profile document, which forms a generic person specification for RAF members.

### 5.1 Membership of the Committee shall comprise:

- The Vice-President Finance (Chair).
- Up to a maximum of five other members with appropriate skills. Best practice is that not all these members should be members of the Institute. Members of the Risk, Audit and Finance Committee should be independent; membership of other Boards and Committees of Council or Trustee Board would only be acceptable if that membership did not affect the Risk, Audit and Finance Committee member's independence.
- Up to one member of Council with appropriate skills. Members of Risk, Audit and Finance Committee should be independent; membership of other Boards and Committees of Council or Trustee Board would only be acceptable if that membership did not affect the Risk, Audit and Finance Committee member's independence. Council member is a full member of this Committee rather than an observer.
- Up to one non-executive member of BCS Learning & Development Limited's board with the appropriate skills.

In attendance:

Members of Staff or Honorary Officers as the Chair may require shall be in attendance. Members of other Boards and Committees of Trustee Board, or Council, may be invited to attend as observers.

- 5.2 Appointments for all members shall be for a maximum of three years. Retiring members may be re-appointed, subject to a maximum of 6 years' unbroken service.
- 5.3 The quorum shall be a minimum of three members of the Risk, Audit and Finance Committee with at least two members being a member of the Institute. The Risk, Audit and Finance Committee will meet, as a minimum, twice a year.
- 5.4 A member of Risk, Audit and Finance Committee who attends a meeting by means of any communication equipment which allows all persons participating in the meeting to hear and speak to each other for the entirety of any matter under consideration shall be deemed to be present in person for that part of the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 5.5 All members must commit reasonable time and effort to the work of the Risk, Audit and Finance Committee and make reasonable efforts to attend meetings. If a member fails to attend three consecutive meetings the Risk, Audit and Finance Committee may terminate the member's membership of the Committee, unless the non-attendance was owing to illness or other reasonable cause.

- 5.6 On the recommendation of the Chair of the Risk, Audit and Finance Committee, the Trustee Board may terminate or suspend a person's membership of the Committee where the member's actions have, in the opinion of the Committee and of the Trustee Board, been detrimental to the work of the Risk, Audit and Finance Committee.
- 5.7 In the event of a tied vote, the Chair shall have an additional casting vote.
- 5.8 The eligibility for non-BCS members should be equivalent to the Charity Commission Guidelines for the eligibility of Trustees.
- 5.9 Risk, Audit and Finance Committee will be responsible for ensuring that all its Members receive appropriate training as prescribed by Trustee Board from time to time.

## **6. Working Groups that report to the Risk, Audit and Finance committee**

The Risk, Audit and Finance Committee may set up Working Groups to undertake specific ad hoc reviews on specialist activities as necessary. Membership of these Working Groups will constitute those persons with appropriate knowledge and skills who may or may not be members of RAFC.

The Risk, Audit and Finance Committee will establish a Finance sub-committee, comprising members of the Committee and chaired by the Vice President (Finance) with responsibility for:

- Advising on the solvency of the Group and safeguarding of its assets
- Scrutinising investment management arrangements
- Scrutinising the overall financial strategy and financial forecasting
- Reviewing the capital plan
- Reviewing financial performance against budgets, and the annual financial statements

## **7. Approval and Review**

These Terms of Reference shall be approved by the Trustee Board. They form part of Trustee Board Regulations. The Risk, Audit and Finance Committee will review these Terms of Reference on an annual basis together with evaluating the effectiveness of its activities in the prior year, usually at the first meeting of the calendar year.