

## **Concern Worldwide Audit and Risk Committee - Terms of Reference**

### **Membership**

The number of Board members elected to the Audit and Risk Committee will be at least 3, at least 1 member should have relevant financial experience. Board members will be appointed to the Committee at the Board meeting immediately following the AGM.

The appointed Board members may co-opt a maximum of 5 additional individuals with expertise to join the Committee. Such co-optees need not be members of the Board or of Concern, and should include a member of the Board of Concern Worldwide (UK) where possible. Co-optees will be confirmed in the first full meeting of the Committee following the AGM. The term of office of a co-optee is 3 years.

If a Board member stands down from the Audit and Risk Committee they may only be replaced by another Board member. If a co-opted member stands down from the Audit and Risk Committee they may be replaced either by a Board member or a co-opted individual.

### **Term of Committee Chairs**

- i. Once elected a Committee Chair would serve for 3 years.
- ii. Continuation would be subject to annual confirmation by the Committee and obviously to the agreement of the Chair to continue to serve in that capacity.
- iii. Chairs would only serve for more than three years in exceptional circumstances and would be prohibited from acting in that capacity for more than four years.

### **Limits on terms of Committee Members**

- i. The maximum period of continuous service on a Committee should be six years. The maximum total period of service on any individual Committee should not exceed ten years.
- ii. The above limits should apply to co-opted Committee members and to those elected from the Board.
- iii. An exception to this rule may be made for the Committee Chair i.e. a member who reaches the term limit while Chair of the Committee would not be obliged to leave the Committee while she/he remained Chair (subject to the three year limit on tenure as Chair).

To avoid major disruption to Committees there should be a transition period of 2 years before the above limits would apply (January 2022).

As the Board membership is confirmed at the AGM, it may temporarily happen (for Committee meetings held between the AGM and the first post AGM Board meeting), that there is no elected Chair for the Committee and/or there may be less than the minimum of 3 serving Board members. In this scenario, an interim Chair should be appointed, and provided that a quorum is in place (see below), the Committee meeting should proceed. Once the Board membership of the Committee is finalised at the first Board meeting following the AGM, the members on the Committee will select a Chairperson from amongst their number. The Chairperson will be a member of the Board.

### **Meetings**

Meetings are held at least quarterly and special additional meetings may be held to consider particular issues. The quorum for meetings is 3 members of the Committee, at least 1 of whom must be a Board member.

The COO, Finance Director, International Programmes Director and Internal Audit Manager are all fixed invitees. Other members of Concern management and staff may attend as deemed appropriate by the Chairperson.

### **Role**

The function of the Committee is to oversee the process whereby the organisation identifies and manages the major risks it faces and to continuously review the quality of its control systems. The Committee reports to the Board as to whether, in its opinion, funds are properly used, effectively controlled and appropriately reported. The Committee champions good corporate standards relating to controls and effective use of funds/resources.

### **Tasks**

In order to do this the Committee fills a number of essential tasks:

1. Review of risk identification and risk management policies
  - Ascertain whether appropriate procedures are in place for identifying the significant risks to which the organisation is exposed.
  - Liaise with the other Committees of the Board in order to assign them the risks identified during the annual risk review, which come within each Sub-Committees' area of competence.
  - Manage the risks assigned to the Committee during the annual risk review.
2. Planning/monitoring of internal audit process
  - Review and approve the internal audit plan.
  - Input into the internal audit programme and any changes proposed to it
  - Review of internal audit findings.
  - Review the adequacy of the internal audit function (including staffing, capacity and resources).
3. Examination of any issues posing a critical risk to Concern
  - Examine any issue regarded by the Audit and Risk Committee as posing a critical risk (financial, reputational or of any other kind), to Concern, and seek information in this regard from any employee/agent/representative of the organisation.
  - Consider any other topics as requested by the Board.
  - Consider any major findings from internal audits, and review Concern's responses.
4. Internal Fraud and Whistle-blowing

The Committee shall determine whether the organisation has adequate procedures in place in relation to internal fraud/whistle-blowing and that these policies are both appropriately implemented and effective.

5. Review of external audit function

This work is carried out in conjunction with the Finance Committee. The broad split of tasks in this regard will be as follows:

- a) The two Committees will meet jointly with the external auditors and management in order to:
  - Agree with the external auditor the nature and scope of the external audit.
  - Review statutory accounts and audit reporting, focussing on significant adjustments arising from the audit.
  - Review problems and issues arising from the statutory audit.
  - Review the auditor's management letter and company response.
  
- b) The Finance Committee will have responsibility for:
  - Reviewing changes in accounting policies and practices.
  - Reviewing major judgmental areas in the statutory accounts.
  - Reviewing the going concern assumption, the compliance with accounting standards, and compliance with legal obligations.
  
- c) The Audit and Risk Committee will have responsibility for:
  - Reviewing Concern's statement on internal controls in the statutory accounts, prior to Board approval of these accounts.
  - Monitoring and reviewing the independence, objectivity and effectiveness of the external auditors.
  - Recommending to the Board any change in external audit provider and approving the remuneration and engagement of the external auditor.
  - Developing and recommending policy on the supply of non-audit services by the external auditor, taking account of ethical guidelines in this regard.

In order to effectively carry out the role, the Committees will have access to relevant Concern staff for information/clarification as required.

As part of the review process (of the external audit and annual report) the Finance Committee and the Audit & Risk Committee will gain assurance from management that all relevant information has been supplied to the auditors and that in the view of management the annual accounts are a fair representation of the financial results and position of Concern. This assurance will be in the form of a written statement signed by the CEO and Director of Finance.

## 6. Review of audits conducted by third parties

The Committee will receive an annual summary of the external audits to which different parts of the organisation have been subject. This will include, donor/statutory/regulatory audits and any other reviews or investigations conducted by third parties. In each case the review will detail:

- The body commissioning the audit
- The reason
- Any major findings
- Broader implications – if any

The purpose of this summary will be to ensure that the Committee has an overview of all major issues arising and so that it can identify any general issues that recur across the full spectrum of audits to which we are exposed.

## 7. Oversight of the Strategic Plan

The Committee has not been assigned responsibility for overseeing the implementation of any of the strategic goals and objectives by the Board during this current year. For each objective that may in future be assigned to it the Committee will aim to:

- Obtain and evaluate management's plans for delivery of the objective.
- Review actual performance in executing the plans on a periodic basis.
- Reflect its conclusions regarding the effectiveness of implementation in its reports to the Board.

## 8. Oversight of Organisational Policies

The Committee will have responsibility for overseeing the implementation of the organisational policies assigned to it in the paper titled *Report from the Working Group on Board Committee Structure*. For each policy assigned to it the Committee will periodically evaluate whether:

- Management has complied with the policy as stated and what challenges have been encountered in doing so.
- The policy itself remains relevant and fit-for-purpose and where there are shortcomings oversee a review process.

The Committee may also request that management review any existing policies - or develop any new ones - that it feels to be necessary to ensure that the organisation has adequate control systems.

## 9. Evaluate Committee's own performance

At the end of each Board year i.e. around the AGM date (generally in May/June), the Committee will undertake an exercise to reflect on how well it has fulfilled its mandate and to consider whether different approaches/information/practices may be required in order to meet its overall objective.

## 10. Directors Compliance

As part of the year-end process the Committee will review and recommend the Directors Compliance Statement which forms part of the audited financial statements. This Statement comprises an acknowledgement by the directors, on a comply-or-explain basis, of their responsibility for securing the organisation's compliance with its relevant obligations and confirmation that the required assurance measures have been taken.

### **External/Specialist Advice**

The Committee may seek any legal or other independent advice, with prior notification to the Chairperson of Concern, or in his/her absence, to the Company Secretary, which it considers necessary to discharge its obligations. If it is felt that such advice is required, it will be sourced in conjunction with the Company Secretary function within Concern Worldwide.

**Reporting**

The Chairperson of the Audit and Risk Committee reports to the Board on its work and reports at least annually to the Board on the risk and internal audit function. As part of the statutory audit review process the Finance and Audit and Risk Committees will have a joint meeting with the external auditors.

The Audit and Risk Committee will provide each Board meeting with a written report of the work which they have carried out since the last meeting. This report must be submitted to the Chief Executive's office no later than 10 days before a Board meeting in order to facilitate the timely distribution of Board papers.

The Chairperson of the Audit and Risk Committee is responsible for ensuring that accurate minutes are maintained of each meeting and that a signed copy of the most recently adopted minutes are held by the Chief Executive's office.

September 2020