

## **Audit & Risk Committee Terms of Reference**

### **1. Core Terms of Reference**

- 1.1 The Core Terms of Reference for Council Governance Committees are incorporated into these Terms of Reference, but with the following additional provisions:
- (a) The Committee may include up to two paid external advisors as members to provide specialist advice, and shall include at least two serving trustees. The Chair must have recent and relevant financial experience. The Chair of the Committee shall be one of either a serving or recent trustee and be a key point of contact for the IOP's whistle-blowing policy.
  - (b) The Chief Executive Officer, Chief Financial Officer, Head of Governance & Compliance and Risk and Audit Manager will be ex officio members of the Committee and the external audit lead partner will be invited to attend meetings of the Committee on a regular basis.
  - (c) The Committee shall meet at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
  - (d) Meetings of the Committee may also be called at the request of the external audit lead partner or Risk and Audit Manager if they consider it necessary.
  - (e) The Committee is authorised to seek any information it requires from (and call to be questioned at a meeting of the Committee) any employee, contractor or advisor of or to the IOP, in order to perform its duties.

### **2 Duties and Powers**

- 2.1 The Committee shall carry out the duties below for the IOP and all members of the IOP Group and is authorised by Council to do so without the need for further confirmation.
- 2.2 With the exception of the financial statements (which shall be reviewed by the Finance & Investment Committee), the Committee shall review the content of the Trustees' Report and Accounts and advise Council on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the IOP's performance and strategy and whether it informs Council's statement in the annual report on these matters that is required under the Charities SORP (FRS 102) (or any other statement of recommended practice which replaces it or is supplemental to it).
- 2.3 The Committee shall keep under review the IOP Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems and shall review and recommend the statements to be included in the Trustees' Report and Accounts concerning internal control and risk management.
- 2.4 The Committee shall monitor the IOP Group's cyber security measures including any risks identified and controls and actions to mitigate such risks.
- 2.5 The Committee shall:
- (a) review the adequacy and security of the IOP Group's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
  - (b) be available as a point of escalation for whistle-blowers;
  - (c) review the IOP Group's procedures for detecting fraud and receive reports on any allegations of fraud; and

- (d) review the IOP Group's systems and controls for the prevention of bribery and receive reports on non-compliance.
- 2.6 The Committee shall advise Council on the IOP Group's overall risk appetite, tolerance and strategy, review and help to identify major areas of risk for the IOP Group and ensure processes exist to manage risk in those areas, keep under review the IOP Group's overall risk assessment processes that inform Council's decision making, ensuring both qualitative and quantitative metrics are used, review the IOP Group's capability to identify and manage new risk types and bring to the attention of Council any areas of high risk and/or any anomalies brought to light through the audit process.
- 2.7 The Committee shall:
- (a) review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
  - (b) ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate;
  - (c) ensure the Audit & Risk Manager has direct access to the Committee Chair, providing independence from the Executive and accountability to the Committee; and
  - (d) monitor and assess the role and effectiveness of the internal audit function in the overall context of the IOP's risk management system and the work of compliance, finance and the external auditor.
- 2.8 In relation to the external audit, the Committee shall:
- (a) consider and make recommendations to Council, to be put to members for approval at the AGM, in relation to the appointment, re-appointment and removal of the IOP's external auditor;
  - (b) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
  - (c) oversee the relationship with the external auditor, including recommending their remuneration and approving their terms of engagement;
  - (d) assess annually the external auditor's independence and objectivity;
  - (e) satisfy itself that there are no relationships between the auditor and the IOP (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - (f) review and approve the IOP's approach on the provision of non-audit services by the auditor;
  - (g) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, have the opportunity to meet with the external auditor without IOP staff being present, to discuss the auditor's remit and any issues arising from the audit;
  - (h) review and approve the annual audit plan;
  - (i) review any representation letter(s) requested by the external auditor before it is (they are) signed by management and/ or Council and the management letter and management's response to the auditor's findings and recommendations; and
  - (j) review the findings of the audit with the external auditor and the effectiveness of the audit process.