

FOR MEMBER APPROVAL: AMENDMENTS ARE HIGHLIGHTED IN GREY



**Terms of
Reference of the
Audit and Risk
Committee of the
Royal Institution of Great Britain**

1. Background

- 1.1 The Byelaws of the Royal Institution of Great Britain (the **Institution**) adopted at a Special General Meeting of the Members of the Institution held on 3 March 2011 (the **Byelaws**) require that the Institution establish and **Audit and Risk Committee** (the **Committee**).
- 1.2 These Terms of Reference, adopted at an Annual General Meeting of the Institution held on *[date to be added]* set out the extent of the powers delegated to the Committee by the Byelaws and by the Trustees of the Institution (the **Trustees**) together with procedural and other matters.
- 1.3 In these Terms of Reference:
 - 1.3.1 a reference to a Byelaw is a reference to the relevant section of the Byelaws;
 - 1.3.2 a reference to a paragraph is to a paragraph in these Terms of Reference;
 - 1.3.3 a reference to one gender shall apply to the other; and
 - 1.3.4 the use of emboldening in the text indicates that a term or expression is defined for the purposes of the remainder of the document.
- 1.4 In the event of a conflict between these Terms of Reference or where they are silent on a matter which is covered by the Byelaws, the Byelaws shall prevail/apply.

2. Membership

- 2.1 The provisions of Byelaw 20 shall apply to the composition of the **Audit and Risk Committee** hereafter referred to as the Committee, namely:
 - 2.1.1 there shall be no less than five and no more than seven members of the Committee, of whom a majority shall be Members of the Institution;
 - 2.1.2 two-thirds (or the number nearest two-thirds) of the members of the Committee shall be appointed by the Trustees on the basis of skills considered by the trustees to be relevant;
 - 2.1.3 the remaining one-third (or number nearest one-third) of the members of the Committee may be co-opted by the Committee itself; and
 - 2.1.4 two members of the Committee shall be Trustees but a majority of the members of the Committee shall not be Trustees.
- 2.2 Subject to paragraph 2.3 members of the Committee shall serve for a term of three years from the date of their appointment. Members may serve for an additional term of three years if re-appointed by the Trustees and/or members of the Committee.
- 2.3 The term of office of a member of the Committee automatically terminates when:

- 2.3.1 ~~he~~ ceases to be a Trustee of the Institution, in the case of Trustee members; or
- 2.3.2 ~~he~~ receives written notice of his removal as a member of the Committee from the Trustees; or
- 2.3.3 ~~he hasn't~~ they have not agreed to complete an additional term, or is not requested to complete an additional term; or
- 2.3.4 ~~he has~~ they have completed two terms.

3. Chairman

- 3.1 The ~~Chairman~~ of the Committee shall be a Trustee and shall be appointed by the Trustees.
- 3.2 In the absence of the ~~Chairman~~ of the Committee at a meeting of the Committee, the remaining members of the Committee present shall elect one of their number to chair the meeting.

4. Secretary

- 4.1 The Committee shall have a Secretary who shall be appointed by the Committee.
- 4.2 The Secretary shall agree agenda items to ensure they comply with the Committee's responsibilities.
- 4.3 The Secretary shall take proper minutes of all meetings of the Committee and, once the minutes are approved by the Committee, shall send a copy of them to the Trustees.

5. Meetings

- 5.1 The Committee shall meet as often as the ~~Chairman~~ shall require in order for it to fulfil the functions allocated to it by the Byelaws and in any event at least three times in each year.
- 5.2 Committee members should attend all meetings, and the minimum attendance is two thirds of meetings. Failure to attend the minimum number of meetings required will result in a meeting with the Committee Chair to discuss the member's continued membership.
- 5.3 Any member of the Committee may request a meeting if ~~he or she~~ they considers that one is necessary or expedient.
- 5.4 Only members of the Committee shall be entitled to attend a meeting of the Committee. Attendance by non-members shall be at the discretion of the ~~Chairman~~ of the Committee. In addition to the members the following will be expected to attend meetings as necessary; the external audit services provider; the senior executive officer; the senior finance officer. The Committee shall meet privately with the external audit services provider once per annum.

- 5.5 Notice of each meeting, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee seven days prior to the date of the meeting (or such shorter period as members of the Committee shall agree).
- 5.6 All reasonable efforts shall be made to arrange meetings of the Committee so that all members of the Committee and invitees are able to attend.
- 5.7 The quorum shall be three members of the Committee including at least one member who is also a Trustee.
- 5.8 Members of the Committee may participate in or hold a meeting of the Committee by any electronic means ~~of conference telephone or other similar communications equipment~~ so that all persons participating in the meeting can hear or speak to each other. Participation by such means shall be deemed to constitute presence in person and business so transacted shall be effective for all purposes as that of a meeting of the Committee duly convened and held with such persons physically present.
- 5.9 A resolution in writing (which may include e-mail) passed by a majority of the members of the Committee shall be as valid and effective as if it had been passed at a meeting of the Committee.
- 5.10 Matters for decision shall be decided on a show of hands. In the case of an equality of votes, the ~~Chairman~~ of the meeting shall be entitled to an additional or casting vote.
- 5.11 As per clause 6.4 in the Byelaws of the Royal Institution, the Chair of the Committee shall attend the Annual General Meeting to present the Annual Report of the Audit and Risk Committee, present the annual accounts for the previous Financial Year and recommend the appointment of the external auditors.

6. Delegated Responsibility and Authority

- 6.1 The Committee shall undertake the functions allocated to it in the Byelaws, namely it will seek assurance on behalf of the Board of Trustees that adequate processes of corporate governance, risk management and audit control are in place and working effectively, and in particular, the Committee shall:
- 6.1.1 review the establishment and maintenance of an effective system of integrated Governance, Risk Management and Internal Control; Review the process under which the Ri sets its risk appetite and advise the Board of Trustees on the development and implementation of the Institution's risk policy; oversee and advise the Board on the current risk exposures and oversee the organisational risk register; review the effectiveness and timeliness of actions to mitigate critical risks;
- 6.1.2 recommend to the Annual General Meeting of the Institution a practising firm of Chartered Accountants to act as Auditors to the Institution following consultation with the Finance Committee;

- 6.1.3 discuss and agree with the Auditors the audit coverage and procedures relating to the audit, and advise on any contentious matter which the Auditors may wish to raise; discussion with the External Auditor of their local evaluation of audit risks; review the work and findings of the External Auditor and consider the implications and management's responses to their work; review all External Audit reports, including recommending the approval of the annual audit letter before submission to the Board; approval of audit fees and any work carried outside the annual audit plan, together with the appropriateness of management responses.
- 6.1.4 review any and all accounts and ensure that the annual audit is carried out in a satisfactory manner; monitor the integrity of the financial statements and any formal announcements relating to the Ri financial performance; ensure that the systems for financial reporting to the Trustees, including those of budgetary control, are subject to review as to completeness, integrity and accuracy of the information; review the Annual Report and Financial Statements before recommending them to the Trustees.
- 6.1.5 review the evaluation by the Auditors of the internal control procedures; assess if there are effective Internal Audit arrangements established by management, which provides appropriate independent assurance to the Chief Executive and Board of Directors. This will be achieved by consideration of the provision of the Internal Audit service; review and approval of the Internal Audit strategy and annual audit plan; consideration of the major findings of internal audit work and ensure co-ordination between the Internal and External Auditors to optimise audit resources; ensuring that internal audits are adequately resourced; annual review of the effectiveness of Internal Audit.
- 6.1.6 advise the Trustees on any matters referred to it by the Trustees and any other matter the Committee considers should be brought to the attention of the Trustees.
- 6.2 The Committee Chair shall report quarterly to the Trustees and more frequently if the Committee considers that a matter of serious risk should be brought to the attention of the Trustees.
- 6.3 The Committee may seek any information it reasonably requires from any Member, prospective Member, employee, Committee or sub-Committee member or Trustee and may (subject to any constraints placed on it by the Trustees from time to time for the proper management of the resources of the Institution):
 - 6.3.1 request access to all papers, records, information and professional advice given to or under the control of the Institution;
 - 6.3.2 request the Chief Executive Officer of the Institution to allow any member of staff of the Institution to attend its meetings to provide reports or to answer questions; and
 - 6.3.3 take its own professional advice, subject to any budget given to it (or, in the event that it has no budget, subject to prior approval by the Trustees).

- 6.4 The Committee shall not make any approach to a consultant or other provider of services to the Institution without the appropriate budgetary cover without further authority from the Trustees.

7. Accountability and Review

- 7.1 Any delegation of powers to the Committee shall be revocable at any time by the Members of the Institution in general meeting.
- 7.2 Copies of all minutes of the Committee shall be circulated to all members of the Committee and to the Trustees promptly after each Committee meeting.
- 7.3 The Board of Trustees will monitor the effectiveness of the Committee through the receipt of minutes and such written or verbal reports that the Chair of the Committee might provide.
- 7.4 The Committee at least once per year will review its own performance to ensure it is operating at maximum effectiveness and recommend to the Trustees/Members for approval, any changes it considers necessary