

## Terms of Reference – Finance Audit and Risk Committee (GOV-TOR-004)

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### Purpose

The purpose of the Finance, Audit and Risk Committee (FinARC) is to provide objective and informed assessment on matters relevant to its brief as outlined in these terms of reference and on any matters referred to it.

FinARC shall seek to ensure that the interests of RCPI are fully protected in relation to its business and ensure the adequacy and accuracy of financial reporting, internal control and the management of corporate risk.

### Key Responsibilities

FinARC shall act independently of management and no powers or responsibilities are transferred to it nor does it sit in any approval chain. FinARC shall function as a Standing Committee of RCPI and report to the Council of RCPI. For clarification, despite its audit role it is not an internal audit function.

### Governance and Reporting

- Report to the Council (through the Treasurer) of RCPI after each meeting and submit the minutes of each meeting to the Council.
- Provide copies of reports from the committee to the Executive Board as required.
- Report on an annual basis to RCPI (at the Annual Stated Meeting) and/or as required in exceptional circumstances.
- Make recommendations to the Council as it deems appropriate on any area within its remit where action or improvement is needed.

### Financial Reporting

- Monitor the integrity of the financial statements of RCPI. Report to the Council any significant financial reporting issues, regarding matters communicated to it by the external auditor. For clarification financial statements may include quarterly accounts, annual financial reports, summary financial statements, budgets and returns to regulators.
- Monitor, and challenge where necessary:
- Any significant changes to finance, audit, risk and accounting policies across RCPI
- Methods to account for significant or unusual transactions

- Whether RCPI has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
- Report any issues or considerations relating to any aspect of financial reporting, audit or risk to the Council for consideration.

### **Internal Controls and Risk Management Systems**

- Keep under review the adequacy and effectiveness of RCPI's internal financial controls and internal risk management systems including the Risk Management Policy and associated procedures (risk register).
- The Corporate Risk Register shall be a standing item on the committee's agenda.

### **Internal Audit**

- Monitoring and reviewing the effectiveness of RCPI's internal audit function or, where there is not one, considering annually whether there is a need for one and making a recommendation to the Council (FRC, 2018)

### **External Audit**

- Conducting the tender process (at least every ten years) and making recommendations to RCPI, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- Reviewing and monitoring the external auditor's independence and objectivity;
- Reviewing the effectiveness of the external audit process, taking into consideration relevant professional and regulatory requirements;
- Approve the annual audit plan and ensure it is consistent with the scope of the audit engagement
- Review the findings of the audit with the external auditor
- Review any representation letters requested by the auditor and managements responses to the auditor

### **Investment considerations and oversight**

- Ensure that the Investment objectives, policies and guidelines within RCPI are consistent and appropriate.
- Oversight of Investment decisions made by the Executive Board to ensure they align with the risk appetite, are given due ethical consideration and align with the values and principles of RCPI and its charitable objects keeping in mind any relevant obligations set by the Charities Act and regulator.
- Preclude investment in tobacco, alcohol, armaments, gambling, pornography or fossil fuels.
- Recommend, where necessary, exclusion of companies who carry out activities contrary to their aims or from holding investments which may damage the reputation of RCPI.

## Membership

The Committee shall comprise 7 members; 2 Co -Chairs and 5 other members approved by the Governance and Nominations committee as follows:

- Co-Chairs: Treasurer (or their nominee)<sup>1</sup> and an independent member with financial expertise.
- Treasurer, RCPI
- Fellows (2 of whom shall be Council members at the time of their appointment)
- Independent Members (non-doctors, at least 1 of whom has recent and relevant financial experience)
- Committee Secretary (In attendance)
- The committee may invite others to attend meetings including the CEO and CFO as appropriate and necessary.

## Term of office

The term of office shall be 3 years, renewable once although terms may be amended in exceptional circumstances as approved by the Governance and Nominations Committee.

## Specific procedural rules

### Quorum

The quorum for meetings of the FinARC shall be 3 members – 2 of whom shall be independent members.

### Frequency of meetings

The Committee shall meet at least 4 times per annum. The meeting schedule shall be agreed in the first month of the financial year.

### Committee Lifespan

The Finance, Audit and Risk Committee is a Standing Committee of College as outlined in the By-Laws and will function permanently unless otherwise ordered.

<b>Approved by</b>	<b>Date</b>
Approved by Council	December 2020
<b>Review</b>	<b>Date</b>
Next review date	December 2022

<sup>1</sup> Where the Treasurer has nominated a Chair, they must be nominated from amongst the independent members of the Committee. In this instance, the Treasurer shall remain on the committee as an ordinary member.