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Terms of reference for the audit committee

Guidance note

The Chartered
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This guidance note has been prepared with the assistance of a working group comprising members of The Chartered Governance Institute and Slaughter and May.

If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact The Chartered Governance Institute information centre: **020 7612 7035** | **informationcentre@icsa.org.uk**

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Terms of reference for the audit committee

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Introduction

This guidance note proposes model terms of reference for the audit committee of a company seeking to comply fully with the requirements of the UK Corporate Governance Code, published in July 2018 (the Code) and reflects the FRC Guidance on Audit Committees (FRC Guidance), published in April 2016. It draws on the experience of company secretaries and is based on good practice as carried out in some of the UK's largest listed companies. The Code and the FRC Guidance are available at www.frc.org.uk.

The model terms of reference are intended as a guide for companies to adapt to their needs. In particular

- Companies with additional primary listing(s) may need to amend the terms of reference in light of additional requirements in the relevant country, in particular the US Sarbanes-Oxley Act 2002.

- Some responsibilities that are relevant to certain companies or sectors only are shown in square brackets.

- There are a number of responsibilities that may be carried out by the audit committee which, alternatively, may be carried out by another board committee or at board level and these have been mentioned in footnotes.

The guidance notes on terms of reference for all board committees should be read together when allocating responsibilities to the committees. It is important to recognise the links and overlap between the responsibilities of board committees and consequently the need for each board committee to have full knowledge of the deliberations of other committees through reports to the board and, if possible, by appointing at least one member of a committee to each of the other committees.

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The UK Corporate Governance Code

The Code states that

'The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.'[1]

It also provides that

'The board should establish an audit committee'.[2]

As with most aspects of corporate governance, the company must be seen to be doing all these things in a fair and thorough manner. The responsibilities of the audit committee and the authority delegated to it by the board should be set out in terms of reference and published on the company website.[3]

The audit committee should report to the board on the nature and content of discussion, on recommendations, and on actions to be taken, and adequate time should be made available for discussion when necessary.[4]

The Code clearly sets out the responsibilities that should be included in the role of the audit committee[5] and it is, therefore, essential that the audit committee is properly constituted with a clear remit and identified authority.

1 Code Principle M
2 Code Provision 24 and Financial Conduct Authority (FCA) Disclosure and Transparency Rules (DTRs) 7.1.1R
3 FRC Guidance on Board Effectiveness 2018, paragraph 63
4 FRC Guidance on Board Effectiveness, paragraph 62
5 Code Provision 25

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Notes on the terms of reference

The list of duties we have proposed is based on existing good practice from a number of sources. Some companies may wish to add to this list and some companies may need to modify it in other ways.[6] The audit committee should take the initiative in deciding the key matters it should consider and what information and assurance it needs to carry out its functions.[7]

The FRC Guidance is designed to assist company boards in making suitable arrangements for their audit committees and provides recommendations on the conduct of the audit committee's relationship with the board, executive management and internal and external auditors. Audit committees are not required to follow the FRC Guidance but it provides a useful framework when implementing the provisions of the Code. It recognises that audit committee arrangements need to be proportionate to the task, and will vary according to the size, complexity and risk profile of the company.[8]

The Code states that the audit committee should comprise a minimum of three independent non-executive directors or, for smaller companies, a minimum of two.[9] The board should satisfy itself that at least one member of the committee has recent and relevant financial experience and that the audit committee as a whole has competence relevant to the sector in which the company operates.[10]

The audit committee should be provided with sufficient resources to undertake its duties.[11] The company secretary is responsible for helping the board and its committees to function effectively[12] and the company secretary (or their nominee) should act as secretary to the committee. The committee should have access to the services of the company secretariat on all audit committee matters including assisting the chair in planning the committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support. The company secretary should ensure that the audit committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.[13]

6 For example, some companies also require the committee to monitor/make recommendations on the potential implications of legal actions being taken against the company, the adequacy of arrangements for managing conflicts of interest, the expenses incurred by the chair, treasury management policies, monitoring the company's supply chain and processes/procedures for compliance with the Modern Slavery Act 2015, and gender pay gap reporting.
7 FRC Guidance, paragraphs 31, 41 and 42
8 FRC Guidance, paragraph 2
9 A smaller company is one that has been below the FTSE 350 throughout the year immediately prior to the reporting year (see the Code footnote 8)
10 Code Provision 24, FRC Guidance, paragraph 15 and also FCA Rule DTR 7.1.1A R
11 FRC Guidance, paragraph 23
12 FRC Guidance on Board Effectiveness, paragraph 79
13 FRC Guidance, paragraph 25

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The frequency with which the audit committee needs to meet will vary depending on the nature, scale and complexity of the business of a company and external regulatory requirements, which may change from time to time. The FRC Guidance states that it is for the audit committee chair, in consultation with the company secretary, to decide the frequency of meetings. There should be as many meetings as the audit committee's role and responsibilities require and the FRC Guidance recommends there should be no fewer than three meetings each year.[14] When scheduling meetings, there should be a sufficient interval between audit committee meetings and board meetings to allow for work arising from the audit committee to be carried out and reported to the board.[15]

14 FRC Guidance, paragraph 18
15 FRC Guidance, paragraph 19

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Model terms of reference

Note: square brackets contain recommendations which are in line with best practice but which may need to be changed to suit the circumstances of the particular organisation, or excluded where not relevant to the company or if the company has a separate risk committee.

1. Membership

1.1 The committee shall comprise at least [three][16] members, all of whom shall be independent non-executive directors. [The committee shall include at least one member of the risk committee.[17]] At least one member shall have recent and relevant financial experience and the committee as a whole shall have competence relevant to the sector in which the company operates.[18] The chair of the board shall not be a member of the committee.[19]

1.2 Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chair of the audit committee.[20] Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.

1.3 Only members of the committee have the right to attend committee meetings. However, the finance director, head of internal audit and external audit lead partner will be invited to attend meetings of the committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.[21]

1.4 The board shall appoint the committee chair. In the absence of the committee chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

The company secretary, or their nominee, shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.[22]

16 Or in the case of smaller companies (companies below the FTSE 350 index) two members. Code Provision 24 and FRC Guidance, paragraph 9
17 If the board has a separate risk committee
18 Code Provision 24 and FRC Guidance, paragraph 15
19 Code Provision 24
20 FRC Guidance, paragraph 13
21 FRC Guidance on Board Effectiveness 2018, paragraph 64 and FRC Guidance, paragraph 20
22 FRC Guidance, paragraph 25

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3. Quorum

The quorum necessary for the transaction of business shall be [two] members.[23]

4. Frequency of meetings

4.1 The committee shall meet at least [three] times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.[24]

4.2 Outside of the formal meeting programme, the committee chair will maintain a dialogue with key individuals involved in the company's governance, including the board chair, the chief executive, the finance director, the external audit lead partner and the head of internal audit.[25]

5. Notice of meetings

5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members, or at the request of the external audit lead partner or head of internal audit if they consider it necessary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than [five] working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

6. Minutes of meetings

6.1 The secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance.

6.2 Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all other members of the board and the company secretary unless, exceptionally, it would be inappropriate to do so.[26]

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23 Code Provision 24 requires that at least one member of the committee has recent and relevant financial experience and DTR 7.1.1A R states that one committee member must have competence in accounting and/or auditing. It would therefore be preferable for any quorum to include such a member whenever possible.
24 FRC Guidance, paragraph 18. The frequency and timing of meetings will differ according to the needs of the company and meetings should be organised so that attendance is maximised. The FRC Guidance suggests key dates within the financial reporting and audit cycle might include: when the audit plans (internal and external) are available for review and when interim statements, preliminary announcements and the full annual report are near completion.
25 FRC Guidance, paragraph 22
26 FRC Guidance on Board Effectiveness 2018, paragraph 65

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7. Engagement with shareholders

The committee chair should attend the annual general meeting to answer any shareholder questions on the committee's activities.[27] In addition the committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.[28]

8. Duties[29]

The committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.[30]

8.1 Financial reporting

8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.[31]

8.1.2 In particular, the committee shall review and challenge where necessary[32]

8.1.2.1 the application of significant accounting policies and any changes to them

8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible

8.1.2.3 whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements

8.1.2.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made

27 FRC Guidance, paragraph 85 and FRC Guidance on Board Effectiveness 2018, paragraph 38
28 Code Provision 3 and FRC Guidance on Board Effectiveness 2018, paragraph 38
29 Code requirements on the main roles and responsibilities of the audit committee can be found at Provision 25
30 FRC Guidance, paragraph 7
31 FRC Guidance, paragraph 32. See also FRC Guidance, paragraph 83 which clarifies that the audit committee would not be expected to disclose information that would be prejudicial to the interests of the company
32 FRC Guidance, paragraphs 32 to 38

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8.1.2.5 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

8.1.3 The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.

8.1.4 Where the committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the board.

8.2 Narrative reporting

Where requested by the board, the committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy[33] and whether it informs the board's statement in the annual report on these matters that is required under the Code.[34]

8.3 Internal controls and risk management systems[35]

The committee shall

8.3.1 keep under review the company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems[36]

8.3.2 review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.[37]

33 Code Provision 25 and FRC Guidance, paragraph 37
34 Code Principle N and Code Provision 27
35 Code Provision 25 See also FRC Guidance, paragraph 41. If the board has a separate board risk committee with responsibility for the review of internal controls and risk management systems, or the board itself has this responsibility under the matters reserved for the decision of the board, the audit committee's responsibilities would be confined to internal financial controls.
36 Code Provision 25. See also FRC Guidance, paragraphs 40 and 41
37 Unless this is carried out by the board or risk committee. Code Provision 28 and FRC Guidance, paragraph 44

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8.4 Compliance, speaking-up and fraud[38]

The committee shall

8.4.1 review the adequacy and security of the company's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action[39]

8.4.2 review the company's procedures for detecting fraud

8.4.3 review the company's systems and controls for the prevention of bribery and receive reports on non-compliance

8.4.4 [review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the company's anti-money laundering systems and controls]; and

8.4.5 [review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the company's compliance function].

8.5 Internal audit[40]

The committee shall

8.5.1 approve the appointment or termination of appointment of the head of internal audit[41]

8.5.2 review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation[42]

38 If the board has a separate risk committee the duties of that committee could include speaking-up, fraud, the prevention of bribery, and procedures for compliance with the Modern Slavery Act 2015. Where the company is required by regulation to have in place a designated non-executive director as 'speaking-up champion', the interaction of their responsibility with the committee's will need to be considered and suitable arrangements put in place.
39 FRC Guidance on Board Effectiveness 2018, paragraphs 57-59
40 If the company does not have an internal audit function, the committee should consider annually whether there should be one and make a recommendation to the board accordingly; the absence of such a function should be explained in the annual report: Code Provision 26 and FRC Guidance, paragraph 46. See also FRC Guidance, paragraphs 45, 47 and 56
41 FRC Guidance, paragraph 52
42 FRC Guidance, paragraph 48

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8.5.3 review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business,[43] and receive regular reports on work carried out

8.5.4 ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors[44]

8.5.5 ensure the internal auditor has direct access to the board chair and to the committee chair, providing independence from the executive and accountability to the committee[45]

8.5.6 carry out an annual assessment of the effectiveness of the internal audit function[46] and as part of this assessment

8.5.6.1 meet with the head of internal audit without the presence of management to discuss the effectiveness of the function

8.5.6.2 review and assess the annual internal audit work plan

8.5.6.3 receive a report on the results of the internal auditor's work[47]

8.5.6.4 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business[48]

8.5.6.5 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function[49]

8.5.7 monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system and the work of compliance, finance and the external auditor[50]

43 FRC Guidance, paragraph 49
44 FRC Guidance, paragraphs 50 and 51. Guidance about the standards can be found in the Chartered Institute of Internal Auditors' Code of Ethics and International Standards for the Professional Practice of Internal Auditing.
45 FRC Guidance, paragraph 52
46 FRC Guidance, paragraph 53
47 FRC Guidance, paragraph 54
48 FRC Guidance, paragraph 53
49 FRC Guidance, paragraph 53
50 FRC Guidance, paragraph 49. If the board has a separate risk committee, the duties of that committee could include review of the company's internal control and risk management systems

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8.5.8 consider whether an independent, third party review of processes is appropriate.[51]

8.6 External Audit

The committee shall

8.6.1 consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor[52]

8.6.2 develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process[53]

8.6.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required[54]

8.6.4 oversee the relationship with the external auditor. In this context the committee shall

8.6.4.1 approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted[55]

8.6.4.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit[56]

8.6.5 assess annually the external auditor's independence and objectivity[57] taking into account relevant law, regulation, the Ethical Standard[58] and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats[59] including the provision of any non-audit services

51 FRC Guidance, paragraph 55
52 Code Provision 25 and FRC Guidance, paragraphs 58 and 60
53 FRC Guidance, paragraph 59. For additional guidance see FRC Audit Tenders Notes on Best Practice February 2017
54 FRC Guidance, paragraph 61
55 Code Provision 25 and FRC Guidance, paragraphs 63 and 65
56 Code Provision 25 and FRC Guidance, paragraphs 63 and 64
57 Code Provision 25
58 FRC Revised Ethical Standard December 2019
59 FRC Guidance, paragraph 66

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8.6.6 satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity[60]

8.6.7 agree with the board a policy on the employment of former employees of the company's auditor, taking into account the Ethical Standard[61] and legal requirements, and monitor the application of this policy[62]

8.6.8 monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard,[63] including the guidance on the rotation of audit partner and staff[64]

8.6.9 monitor the level of fees paid by the company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard[65]

8.6.10 assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures[66]

8.6.11 seek to ensure coordination of the external audit with the activities of the internal audit function

8.6.12 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee[67]

8.6.13 develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements.[68] The policy should include consideration of the following matters

60 FRC Guidance, paragraph 66
61 FRC Revised Ethical Standard December 2019, section 2
62 FRC Guidance, paragraph 69
63 FRC Revised Ethical Standard December 2019
64 FRC Guidance, paragraphs 66, 67, 68 and 70
65 FRC Guidance, paragraph 67 See also FRC Revised Ethical Standard December 2019, section 4
66 FRC Guidance, paragraph 60
67 FRC Guidance, paragraph 62
68 Code Provision 25 and FRC Guidance, paragraphs 71 to 74

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8.6.13.1 threats to the independence and objectivity of the external auditor and any safeguards in place

8.6.13.2 the nature of the non-audit services

8.6.13.3 whether the external audit firm is the most suitable supplier of the non-audit service

8.6.13.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee

8.6.13.5 the criteria governing compensation.[69]

8.6.14 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, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit[70]

8.6.15 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team[71]

8.6.16 review the findings of the audit with the external auditor. This shall include but not be limited to, the following

8.6.16.1 a discussion of any major issues which arose during the audit

8.6.16.2 the auditor's explanation of how the risks to audit quality were addressed

8.6.16.3 key accounting and audit judgements

8.6.16.4 the auditor's view of their interactions with senior management

8.6.16.5 levels of errors identified during the audit[72]

69 Code Provision 25 and FRC Guidance, paragraph 72
70 FRC Guidance, paragraph 21
71 FRC Guidance, paragraph 75
72 FRC Guidance, paragraph 76

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8.6.17 review any representation letter(s) requested by the external auditor before it is (they are) signed by management[73]

8.6.18 review the management letter and management's response to the auditor's findings and recommendations[74]

8.6.19 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee[75]

9. Reporting responsibilities

9.1 The committee chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities.[76] This report shall include

9.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed

9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.6.10), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans

9.1.3 any other issues on which the board has requested the committee's opinion[77]

9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 The committee shall compile a report on its activities to be included in the company's annual report.[78] The report should describe the work of the audit committee, including

9.3.1 the significant issues that the committee considered in relation to the financial statements and how these issues were addressed

73 FRC Guidance, paragraph 77
74 FRC Guidance, paragraph 77
75 FRC Guidance, paragraphs 78 and 79
76 Code Provision 25
77 FRC Guidance, paragraph 29
78 Code Provision 26

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9.3.2 an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans

9.3.3 an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.

9.4 In compiling the reports referred to in 9.1 and 9.3, the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the board's assessment of whether the company is a going concern and the inputs to the board's viability statement.[79] The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.[80]

10. Other matters

The committee shall

10.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.[81]

10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.[82]

10.3 Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.

10.4 Be responsible for oversight of the coordination of the internal and external auditors.[83]

79 FRC Guidance, paragraphs 44 and 82
80 FRC Guidance, paragraph 84
81Code Provision 16, FRC Guidance on Board Effectiveness 2018, paragraphs 79-85 and FRC Guidance, paragraph 23
82 FRC Guidance on Board Effectiveness, paragraph 81
83 FRC Guidance, paragraph 49

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10.5 Oversee any investigation of activities which are within its terms of reference.

10.6 Work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.[84]

10.7 Ensure that a periodic evaluation of the committee's performance is carried out.

10.8 At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.[85]

11. Authority

The committee is authorised to

11.1 Seek any information it requires from any employee of the company in order to perform its duties.

11.2 Obtain, at the company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so.[86]

11.3 Call any employee to be questioned at a meeting of the committee as and when required.

11.4 Have the right to publish in the company's annual report, details of any issues that cannot be resolved between the committee and the board.[87] If the board has not accepted the committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the committee's recommendation and the reasons why the board has taken a different position.[88]

84 FRC Guidance on Board Effectiveness paragraph 65 and FRC Guidance, paragraph 43
85 FRC Guidance on Board Effectiveness, paragraph 63
86 FRC Guidance on Board Effectiveness 2018 paragraph 83 and FRC Guidance, paragraph 26
87 FRC Guidance, paragraph 30
88 Code Provision 26

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The Chartered Governance Institute
Saffron House
6–10 Kirby Street
London EC1N 8TS

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