

Activity Alliance FARG Terms of Reference

Activity Alliance FARG terms of reference seek to comply fully with the requirements of the UK Corporate Governance Code, published in 2024 (the Code) and reflects the FRC Guidance on Audit Committees (FRC Guidance), published in April 2016. The terms also comply with the requirements of the Code for Sports Governance issued by UK Sport and Sport England.

FARG will at all times act in the best interests of the organisation, as well as acting with inclusivity, integrity, in an ethical manner and in accordance with Activity Alliance's Conflict and Declaration of Interest policy.

FARG will at all times act in accordance with the Activity Alliance Articles of Association and Standing Orders.

1. Membership

- 1.1. The committee shall comprise of at least three members, all of whom shall be Trustees of Activity Alliance.
- 1.2. At least one member shall have recent and relevant financial experience, and the committee shall have competence relevant to the sector in which the company operates.
- 1.3. The chair of the board shall not be a member of the committee. The Board shall appoint members of the committee, on the recommendation of the Nominations Committee in consultation with the Chair of FARG.
- 1.4. 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.
- 1.5. Only members of the committee have the right to attend committee meetings. However, the Finance Manager, as well as other staff members, will be invited to attend meetings of the committee on a regular basis. The auditor representative may be invited to attend all or part of any meeting as and when appropriate.
- 1.6. The Board shall appoint the FARG Chair. In the absence of the FARG Chair and/or an appointed deputy at a FARG meeting, the remaining members present shall elect one of themselves to Chair the meeting.

2. Secretary

- 2.1. 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.

1

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two members. It is preferable for any quorum to include a member who has competence in accounting and/or auditing whenever possible.

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.
- 4.2. Outside of the formal meeting programme, the committee chair will maintain a dialogue with key individuals involved in the charity's governance, including the Board chair, the Chief Executive, the Finance Manager, the external audit lead partner, and any other relevant persons.

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 if they consider it necessary.
- 5.2. Unless otherwise agreed, the 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 is inappropriate to do so.

7. Engagement with stakeholders

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

8. Duties

The committee should have an oversight of the charity 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 appropriate.

Finance

8.1.1 Financial reporting

8.1.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and quarterly management 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.

8.1.1.2 In particular, the committee shall review and challenge where necessary: ¹ the application of significant accounting policies and any changes² to them
methods used to account for significant or unusual transactions where different approaches are possible.

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

8.1.1.2.3 all material information presented with the financial statements, including.

8.1.1.2.4 the strategic report and the corporate governance statements relating to the audit and to risk management.

8.1.1.2.5 Budgets and forecasts including assumptions made and staff rewards

8.1.1.2.6 ensure financial planning is in place to ensure strategic objectives are achieved

8.1.1.2.7 review the reserves policy at least annually.

8.1.1.3 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.

8.1.1.4 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.

8.1.1.5 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.

Audit

Trustee/Director reporting

8.2.1 Narrative reporting

8.2.1.1 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 stakeholders to assess the company's performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the Code.

Internal audit

The committee shall review:

8.2.2 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.

8.2.3 Whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, considering the external auditor's views on the financial statements.

External audit

The committee shall:

8.2.4 consider and make recommendations to the board, to be put to stakeholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor.

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

8.2.6 If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.

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

8.2.7.1 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.

8.2.7.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.

8.2.7.3 assess annually the external auditor's independence and objectivity considering relevant law, regulation, and other professional requirements and the group's relationship with the auditor, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.

8.2.7.4 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.

- 8.2.7.5 agree with the board a policy on the employment of former employees of the company's auditor and monitor the application of this policy.
- 8.2.7.6 monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements including the guidance on the rotation of audit partner and staff.
- 8.2.7.7 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, and guidance.
- 8.2.7.8 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.
- 8.2.7.9 seek to ensure coordination of the external audit with the activities of the internal audit function.
- 8.2.7.10 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.
- 8.2.7.11 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 preapproved, and assessing whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
- 8.2.7.11.1 threats to the independence and objectivity of the external auditor and any safeguards in place
- 8.2.7.11.2 the nature of the non-audit services
- 8.2.7.11.3 Whether the external audit firm is the most suitable supplier of the non-audit service
- 8.2.7.11.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee
- 8.2.7.11.5 the criteria governing compensation.
- 8.2.7.12 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.
- 8.2.7.13 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.
- 8.2.7.14 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 8.2.7.14.1 a discussion of any major issues which arose during the audit.
- 8.2.7.14.2 the auditor's explanation of how the risks to audit quality were addressed.
- 8.2.7.14.3 key accounting and audit judgements
- 8.2.7.14.4 the auditor's view of their interactions with senior management
- 8.2.7.14.5 levels of errors identified during the audit.
- 8.2.7.15 review any representation letter(s) requested by the external auditor before it is (they are) signed by management.
- 8.2.7.16 review the management letter and management's response to the auditor's findings and recommendations.
- 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.

Risk

8.3 The committee shall:

8.3.1 Risk Appetite and Tolerances

- 8.3.1.1 Support and advise the Board on the company's overall risk appetite and tolerances, ensuring they align with the strategic objectives and operations of the organisation.
- 8.3.1.2 Regularly review risk appetite and tolerances.
- 8.3.2 Risk Management Assurance
 - 8.3.2.1 seek assurances on the implementation of risk management arrangements within the organisation.
 - 8.3.2.2 ensure that risks are being managed appropriately and in accordance with the Board's agreed risk appetite and tolerances.
 - 8.3.2.3 review the effectiveness of risk management frameworks, policies, and internal controls in place to mitigate risks.
- 8.3.3 Risk Register Oversight
 - 8.3.3.1 regularly review the Board risk register to monitor significant risks, their potential impact, and the mitigation measures in place.
 - 8.3.3.2 advise the Board on specific risks, including emerging risks that may affect the organisation's operations, reputation, or strategic objectives.
 - 8.3.3.3 provide oversight on the company's overall risk exposure, ensuring appropriate actions are taken to mitigate potential threats.
- 8.3.4 Reporting and Recommendations
 - 8.3.4.1 report to the Board on risk-related matters, highlighting key issues, trends, and recommended actions.
 - 8.3.4.2 ensure appropriate risk reporting mechanisms are in place to facilitate informed decision-making by the Board.
- 8.3.5 Continuous Improvement
 - 8.3.5.1 promote a culture of risk awareness and continuous improvement in risk management practices across the organisation.
 - 8.3.5.2 periodically review and recommend updates to risk management policies and procedures to align with best practices and regulatory requirements.

Governance

- 8.4 The committee shall:
 - 8.4.1.1 ensure compliance with relevant legal, regulatory, and funding requirements, including adherence to the Sport England Code for Sports Governance.
 - 8.4.1.2 Oversee the organisation's governance framework, ensuring it remains effective, transparent, and aligned with best practices.
 - 8.4.1.3 Ensure governance policies, including conflict and declaration of interest, whistleblowing, safeguarding, fraud, and ethical conduct policies, are up to date and fit for purpose.
 - 8.4.1.4 promote best practices within the Board and the wider organisation.

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. This report shall include:
- 9.2 The committee shall make whatever recommendations the board 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. The report should describe the work of the audit committee, including:

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. The report to stakeholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

10 Other matters

The committee shall:

- 10.1 Have access to sufficient resources to carry out their duties, including access to the company secretariat for advice and assistance as required.
- 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.
- 10.3 Consider all relevant laws and regulations, any other applicable rules, as appropriate.
- 10.4 Have an oversight of the coordination of the external auditors.
- 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.
- 10.7 account of the impact of risk management and internal controls being delegated to different committees.
- 10.8 Ensure that a periodic evaluation of the committee's performance is carried out.
- 10.9 At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommending any changes it considers necessary to the board for approval.

11 Authority

The committee is authorised to:

- 11.1 Seek any information it requires from any employee of the company to perform his 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
- 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 details of any issues in the company's annual report that cannot be resolved between the committee and the board. 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.

Date of approval

Date of next review

.....

.....