



AND



## **BUSINESS AUDIT AND RISK COMMITTEE (BARC)**

### **TERMS OF REFERENCE**

<b>APPROVED BY BOARD:</b>	<b>MAY 2021</b>
<b>DUE FOR REVIEW:</b>	<b>MAY 2023</b>

**Document Detail:**

Prepared/updated by:	Roland Caley
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Board Member Oversight Review:	Sandy Muirhead
Date:	16 May 2023

It is the responsibility of the Trust Secretary to ensure these Terms of Reference are kept up to date, in accordance with the Board's schedule of review of Policy documents, and accurately reflects the business requirements of both The Rivers Trust (RT) and River Ecosystem Services Limited (RES)

## Accountability & Authority

- Delegation is pursuant to Article 30 of RT's articles.
- Whilst BARC has an agreed list of members, Article 30 enshrines the right of any trustee who is not a member to request notice of a BARC meeting and to attend and speak. Although not pursuant to this Article, a similar right is recognised for the Directors of RES who are not members of BARC.
- Other than as stated within these terms of reference, BARC has no executive power and so reports all findings, assurances and recommendations to the RT Board and the RES Board of Directors ("the Boards"). Its activities neither remove nor dilute the responsibility of the Boards. All decisions are dependent on the Boards' approval.
- BARC has delegated responsibility to review and, if appropriate, decide and report to the Boards on the following matters:
  1. Approval of all projects not already approved by either of the Boards;
  2. Approval of the external auditor's annual audit plan;
  3. Adequacy of SMT's response to the external auditor's recommendations with regard to financial controls or accounting policies; and
  4. Approval of any contracts or arrangements with connected parties and any significant supplier contracts;
  5. Review of quarterly management accounts;
  6. Matters relating to the Staff Handbook;
- The Boards are not bound to follow any recommendation by BARC and may take a different view/decision.
- BARC has de facto authority to request the attendance of and/or report from any member of the RT or RES Senior Management Team (SMT) for the purposes of fulfilling these Terms of Reference.

## Purpose

- Independent advisory oversight of RT and RES on behalf of the Boards.
- Formal and transparent support to the Boards on all commercial and financial matters and on issues of corporate reporting, risk management, internal control principles.
- Maintains the primary relationship with the external auditors.

## 1. Appointment, Composition & Procedures

- 1.1. BARC shall comprise trustees of the RT Board (including at least one who is also a director of RES) which are agreed to have an appropriate skills mix. The BARC Chair will be selected by the Boards. At least one member of BARC will have recent and relevant financial experience and with competence in accounting and/or auditing. The composition will be reviewed on an

annual basis in the first Board meeting of the year. The current membership is as set out in Schedule 1.

- 1.2. BARC may from time to time co-opt other members of the Boards to assist it in fulfilling its remit. The RT CEO will attend BARC meetings ex officio at the request of BARC. Attendance by the RT Chair, subject to specific request by BARC, is not mandatory. The RT and RES Secretary shall attend in the role of Secretary to BARC.
- 1.3. In the absence of the Chair, the members shall agree, from those members present, a person to act as Chair for the meeting, or, until such time as the Chair is in attendance.
- 1.4. BARC shall meet as and when required between Board Meetings either for physical meetings or through the use of video-conferencing, tele-conferencing or email. Where possible, meetings will be scheduled in the run up to Board so that the same information may be provided at both forums with minimal requirement for update.

## **2. Conduct of Meetings**

- 2.1. BARC shall meet at least 4 times per year prior to each Board meeting to enable BARC to report back on its meeting and make any recommendations to the Boards on the matters within its remit. BARC has the right to meet in private.
- 2.2. The Committee Secretary will ensure that BARC members receive information and papers in a timely manner to enable full and proper consideration to be given to issues and will take draft minutes which will be circulated to all attendees within two weeks of the meeting.
- 2.3. All papers for the BARC will be made available to the Boards in advance of the meeting to allow them to pass comment in advance of the meeting if desired.

## **3. Quorum**

- 3.1. The quorum necessary for the transaction of BARC business shall be **three** trustees.

## **4. Duties & Responsibilities**

### **Financial reporting**

- 4.1. To review and, if thought appropriate, recommend to the Boards approval of the annual budgets and of the annual report and financial statements for RT and RES, focusing particularly on:
  - specific enquiry into the question of whether RT and/or RES keeps proper books of account and the integrity of the financial statements;
  - the wording in the annual governance statements and other disclosures relevant to the BARC Terms of Reference including those on internal control, risk management (and its annual review), investment policy and reserves policy;
  - changes in, and compliance with, accounting policies and practices;
  - unadjusted misstatements in the financial statements, major judgmental areas and significant adjustments resulting from the audit and/or matters communicated to BARC by the auditor.

### **Items for review and subsequent advice to the Boards**

4.2. As appropriate the same assurance will be provided on Items for any other external statements relating to their financial performance. Other items for review, and subsequent advice to the Boards include:

- *From time to time*, development and management of strategic development
  - First sight of longer term financial and strategic plans
- *Quarterly* governance and administrative reviews:
  - Management accounts including cash flow, resources, consideration of issues pertaining to business continuity and review of commercial activity;
  - Partnerships and contracts of RES, ensuring risk and opportunities are adequately assessed in accordance with the thresholds established by the Boards and that BARC is satisfied that due diligence processes are in place to manage and mitigate risk and ensure an appropriate delegation of authority approved by the Boards is in place.
  - Investment performance and any changes proposed to investment strategy including appointment/renewal of appointment of investment managers and bankers;
  - Internal IT and financial controls systems that identify, assess, manage and monitor financial risks; those other internal control and risk management systems (including strategic risks); and the related active risk register;
  - Newly initiated projects (including related budgets), legal agreements and all expenditure or commitments as required by the Delegation of Authority policies for both organisations (see Schedule 2);
  - Matters pertaining to policies usually by reference to Staff Handbook updates (including terms and conditions of RT employees and revisions thereto);
  - Any other issues that may emerge, from time to time, which the Board might choose to delegate to the Committee;
  - Basis and structure of activities; subsidiary companies and divisions.
  - The risk register which must be kept updated to recognise changing risks and weightings for the organisations.
- *Annual* governance and administrative reviews:
  - Scheme of Delegation of Authority;
  - Consultancy contracts for those long-standing, trusted consultants reviewed annually, established to provide independent, cost-effective, valuable services .
  - Other matters of Compliance as contemplated specifically by these Terms of Reference (eg Compliance, whistleblowing, and fraud; relationship with the External Auditors).

#### **Compliance, whistleblowing and fraud**

- 4.3. A specific review incumbent on BARC is that of the adequacy and security of arrangements for employees, volunteers and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- 4.4. BARC will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 4.5. BARC will further review procedures for preventing and detecting fraud and review systems and controls for the prevention of bribery and receive reports on non-compliance.

#### **External audit**

- 4.6. Oversee the relationship with the external auditor by reviewing and approving, under its delegated authority from the Boards, the term and scope of engagement, 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.
- 4.7. Assess annually the external auditor's independence and objectivity considering relevant UK law, regulation, the Ethical Standard and other professional requirements and the companies' 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.
- 4.8. Monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff.
- 4.9. Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with BARC.
- 4.10. Review at the audit planning stage the auditors' Audit Plan and, as part of one of the regular BARC meetings, meet with the external auditor at the reporting stage to review their Audit Completion Report and Internal Control Report and to have a separate session with the auditor at that meeting without management being present, to discuss the auditor's remit and any further issues arising from the audit and to decide on the adequacy of SMT's response to the external auditor's recommendations.
- 4.11. At least every five years consider the appropriateness of the external auditor appointment and, if appropriate, oversee the selection procedure for the appointment of the external auditor, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process and recommend any new appointment for the Boards to approve at their AGM.


## **5. Reporting Responsibilities**

- 5.1. The Chair of BARC shall provide a report highlighting the key issues arising from BARC to the meeting of the Boards that directly follows the BARC. The minutes of the BARC will also be available to the Boards.
- 5.2. The Annual Governance Statement, which is included in the Annual Report, reviews in some detail the effectiveness of the system of internal control. By concurring with that statement and recommending its adoption to the Boards, the BARC also gives the Boards its assurance on the effectiveness of the overarching systems of integrated governance, risk management and internal control.

## **6. Annual Review**

- 6.1. BARC will assess the processes it has put in place to discharge its duties and responsibilities as outlined in these Terms of Reference and will implement changes if required.
- 6.2. The BARC will assess its performance against its workplan in order to evaluate the achievement of its duties.
- 6.3. The Boards will review the BARC Terms of Reference at least every three years to ensure that it remains fit for purpose and is best facilitated to discharge its duties.

**Schedule 1: List of Current BARC Members**

With effect from  the members of BARC are as follows:

Chair                      Sandy Muirhead

**Members**

Laurence Couldrick  
Charlotte Hitchmough  
Graham Thomas  
Jonathan White (representative of RES)  
Bella Davies

In addition:

Attendant                      Mark Lloyd (being current Chief Executive)  
Secretary                      Roland Caley (being current RT Trust Secretary and RES Company Secretary)

**Schedule 2: Commitment Authorisations (Page 1)**

The following cascading system of Commitment Authorisations for expenditure (other than Core expenditure which is dealt with separately) applies: -

Category	Authorisation Level	Process
Project Approvals over <b>£100k</b>	Board or BARC	Project appraisal submission, including business and finance case. Preferably submitted during application stage for advance review. Approval generally conditional on there being no material changes between approval and completion of agreement.
Project Approvals <b>£25K to £100k</b>	Chief Executive or Finance Director	Project appraisal report including business and finance case. Reported to the next following Board or BARC meeting.
Project Approvals up to <b>£25k</b>	Members of SMT	Project appraisal report including business and finance case. Reported to Chief Executive and/or Finance Director.
Project Expenditure – external ( <b>over £15k</b> )	Chief Executive or Finance Director.	Subject to procurement policy. Amount limited to relevant outcome budget heading.
Project Expenditure – external ( <b>up to £15k</b> )	Chief Executive, Finance Director or Project Manager.	Subject to procurement policy. Amount limited to relevant outcome budget heading.
Core Expenditure – revenue (incl. equipment purchases under £500)	Core Authorisation Limits (see below)	For general discretionary operational spending.
Core Expenditure - capital	Chief Executive, Finance Director or Finance Manager	Fixed assets above £500 are capitalised.  Based on Authorisation Limits (with Finance Manager sharing limits of SMT for this purpose).
External Funds	Chief Executive, Finance Director or Finance Manager	Held on behalf of other rivers trusts. Amount limited to relevant remaining fund balance.

### **Core Authorisation Limits**

The following Core expenditure authorisation limits apply to Purchase Orders (excl. fixed assets over £500 and staff expenses):

Above £50,000	BARC or Board
Limit of £50,000	Chairman, Chief Executive, or Finance Director plus 1 other Trustee
Limit of £25,000	Chief Executive or Finance Director
Limit of £5,000	Members of Executive SMT
Limit of £1,000	Delegated Authorised staff (Grade 5 or above). Each Executive SMT member maintains a list of Grade 5 or above team members who carry authorisation limits up to £1,000.

### **Execution and delivery of Legal Agreements**

It was resolved that the following delegation for decisions to commit the Trust in legal matters including the execution and delivery of any legal agreements be adopted:-

<b>Subject</b>	<b>Delegation</b>
Decision to institute, defend or appeal proceedings brought by or against The Rivers Trust.	BARC or Board
Settlement of civil proceedings arising out of a matter not involving a claim for damages or compensation.	Chief Executive or Chairman
Obtaining legal advice (whether or not relating to proceedings).	Chief Executive, Chairman or Finance Director
Execution and delivery of any legal agreement to which The Rivers Trust is a party (or any variation to or replacement or substitution of the same) including but not limited to grants and contracts.	Chief Executive, who may designate by prior written authority to Finance Director or other Executive SMT member or the Project Manager as deputy