

TERMS OF REFERENCE FOR THE AUDIT, RISK AND ASSURANCE COMMITTEE OF SALIX FINANCE LTD

The Board has established an Audit, Risk and Assurance Committee to support them in their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

1. MEMBERSHIP

- The members of the Audit, Risk and Assurance Committee are:
 - usually non-executive Board members; and
 - where required, subject matter experts to ensure an appropriate level of skills and experience is available.
- The Committee should be chaired by a non-executive director appointed by the Chair of the Main Board, though this requirement may be relaxed for an interim appointment.
- The Committee will be provided with a secretariat function by the Governance team or a nominee.
- All appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for a further period of up to three years; and
- Only members of the Committee have the right to attend Committee meetings. However, the following normally will be invited to attend meetings of the Committee:
 - Chief Executive/Accounting Officer;
 - Finance Director;
 - Head of Internal Audit;
 - Risk Manager; and
 - Representative of the National Audit Office (External Audit).
- The Committee will comprise a minimum of three members.

2. REPORTING

The Committee will:

- Formally report to the Board and Accounting Officer after each meeting, to be in writing where required or appropriate.

- Provide the Board and Accounting Officer with an Annual Report, timed to support finalisation of the financial statements and the Governance Statement, summarising its conclusions from the work it has done during the year.

3. RESPONSIBILITIES

The Committee will advise the Board and Accounting Officer on:

- The strategic processes for risk, control and governance and the Governance Statement.
- The integrity of the company's financial statements, including the application of, and any changes to, significant accounting policies, the clarity of disclosures and the context in which statements are made and the extent to which the company has complied with the financial reporting requirements set out in the relevant governance documents relating to the company.
- The planned activity and results of both internal and external audit.
- Adequacy of management response to issues identified by audit activity.
- The letter of representation letter requested by the external auditor.
- Assurances relating to the management of risk and corporate governance requirements for the organisation.
- Proposals for tendering for either internal or external audit services or for purchase of non-audit services from contractors and subject matter experts who provide audit services (where appropriate).
- Anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Committee will also periodically review its own effectiveness and report the results of that review to the Board.

4. RIGHTS

With the approval of and within budgets agreed by the Board:

- The Committee may co-opt additional members to provide specialist skills, knowledge and experience for a period not exceeding a year; and/or
- Procure specialist ad-hoc advice at the expense of the organisation for particular projects or purposes.

The Committee will make a recommendation in writing to the Board where appointments on these terms are proposed.

Any co-optee will not be a full member of the committee and thus take no part in decision-making, other than in an advisory capacity only.

5. ACCESS

Both the Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Committee.

6. MEETINGS

- The Committee will meet at least four times a year. The Chair may convene additional meetings as necessary at the request of the Board or the Accounting Officer.
- A minimum of two members will be present for the meeting to be deemed quorate. Any co-optee will not form part of the quorum.
- The Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter.
- The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

7. INFORMATION REQUIREMENTS

For each meeting the Audit, Risk and Assurance Committee will be provided (a week in advance in the case of any written report) as follows:

- A report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register.
- A progress report from the Head of Internal Audit summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from the work of internal audit;
 - management response to audit recommendations;
 - changes to the agreed internal audit plan; and
 - any resourcing issues affecting the delivery of the objectives of internal audit.
- A progress report (written/verbal) from the External Audit representative summarising work done and emerging findings (this may include, where relevant to the organisation, aspects of the wider work carried out by the NAO, for example, Value for Money reports and good practice findings).
- Management assurance reports.
- Reports on the management of major incidents, "near misses" and lessons learned.

As and when appropriate the Committee will also be provided with:

- Proposals for the terms of reference of internal audit/the internal audit charter.
- The internal audit strategy.
- The Head of Internal Audit's Annual Opinion and Report.
- Quality Assurance reports on the internal audit function.
- The draft accounts of the organisation.
- The draft Governance Statement.
- A report on any changes to accounting policies.
- External Audit's management letter.
- A report on any proposals to tender for audit functions.
- A report on co-operation between internal and external audit.
- The organisation's Risk Management Strategy

8. REVIEW

- These Terms of Reference are to be reviewed annually or earlier in the event of relevant legal, regulatory or operational change (last reviewed October 2024).