



## **Terms of Reference**

of the

### **Finance, Audit & Risk Committee**

*National Scout Council*  
*The Scout Association of Malta*

Version 2

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Reviewed and Approved by National Scout Council on 3rd March 2016 and revised on the 10 June 2021

#### **FOREWORD**

*This document is the 'Terms of Reference' of the 'Finance, Audit and Risk Committee' which was established by the National Scout Council in line with The Scout Association of Malta's Constitution (Article 24.4).*

*The National Scout Council, during its meeting of 12th November, 2015 (Agenda item 6. Finance subcommittee – for approval and appointment of members of subcommittee) agreed 'to appoint a Sub-Committee to draft terms of reference of the Finance Sub Committee'. David Darmanin was appointed as Chairman of the ToR Subcommittee and appoint his own team to serve on this sub-committee. Peter Degiorgio and Mr Andrew Ellul, both certified public accountants and auditors, as well as Andrew Cutugno, former NSC member, accepted to be on the ToR Sub-committee. A meeting was held on 2nd December, 2015 to review a draft which was previously circulated for comments. This draft was forwarded to the National Scout Council which discussed, reviewed and approved this document.*

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## GENERAL

The National Scout Council (NSC) appoints the Finance, Audit & Risk Committee (FAR), as per the following Terms of Reference, so that the FAR Committee assists the NSC in fulfilling its oversight responsibilities for the integrity of The Scout Association of Malta's financial statements, the independent auditor's qualifications and independence, the adequacy of the Association's systems of control and the performance of the Association's internal audit function and independent auditors.

This document is referred to herein as the 'Terms of Reference'.

The Scout Association of Malta (and its subsidiaries) is referred to herein as the 'Association'.

## MEMBERSHIP & SECRETARY

The FAR shall consist of not less than three and not more than eight voting members to review the operations with regards to finance, audit and risk management of the Association and its subsidiary company, TSAM Limited as defined hereon. None of the members are to be members of the Executive Committee.

The NSC shall appoint the chairman of FAR. One FAR member is to be an elected NSC member. At least one FAR member should hold a warrant to practice as a certified public accountant (CPA) with a practicing certificate in auditing in Malta with recent and relevant financial experience. Quorum is of two members; this would require chair (or his appointed deputy in his absence) and another member which does not need to be a CPA (currently it needs to be a CPA member)

FAR can appoint another person who is not part of the Association's Executive Committee as secretary.

## ATTENDANCE AT MEETINGS

No one other than FAR members shall be entitled to attend committee meetings.

The Chief Scout, other National Scout Council members, Chief Commissioner, Commissioner of Finance, Company Directors, Company employees, representatives of the external auditor, or other persons shall attend meetings at the invitation of the committee.

There should be at least one meeting a year, or part thereof, where the FAR committee meets the external and internal auditors without Executive Committee members or Company employees present. This need not be the same meeting.

## FREQUENCY OF MEETINGS

Meetings shall be held not less than four times a year (to coincide with key dates in the Association's financial reporting cycle).

The external auditor or the internal auditor may request a meeting if they consider that one is necessary.

## AUTHORITY

FAR is authorised by NSC to:

- Seek any information that it requires from any Association official or employee (including TSAM Limited) and all are directed to co-operate with any request made by the committee; and

- Investigate any activity within its terms of reference; and
- Obtain outside legal or independent professional advice, at the Association's expense (with a prior approved budget), and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## DUTIES

The duties of FAR shall be:

### **Financial reporting**

- To review, and challenge where necessary, the actions and judgements of the Association's management (including TSAM Limited), in relation to the financial statements, operating and financial review, interim reports, preliminary announcements and related formal statements before submission to, and approval by the NSC and company board (as required), and before clearance by the auditors. Particular attention should be paid to:
  - Critical accounting policies and practices, and any changes in them;
  - Decisions requiring a significant element of judgement;
  - The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
  - The clarity of disclosures;
  - Significant adjustments resulting from the audit;
  - The going concern assumption;
  - Compliance with accounting standards; and
  - Compliance with other legal requirements.
- To consider other topics, as defined by NSC.

### **Internal control and risk management**

- To review the Association's procedures (including TSAM Limited) for detecting fraud and whistle blowing and ensure that arrangements are in place by which officials and employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters;
- To review management's and the internal auditors' reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- To monitor the integrity of the Association's internal financial controls (including TSAM Limited);
- To review the statement in the annual report and accounts on the Association's internal controls and risk management framework (including TSAM Limited); and
- To assess the scope and effectiveness of the systems established by Association's management (including subsidiary company) to identify, assess, manage and monitor financial and non-financial risks.

[NOTE: The NSC retains responsibility for the review of the effectiveness of the system of internal control.]

### **Internal audit**

- To consider annually whether there is a need for an internal audit function where no such function exists;
- To appoint or dismiss the internal auditor (Association official, employee or outsourced);
- To review the internal audit programme and ensure that the internal audit function has adequate resources and has an appropriate standing within the Association and subsidiary company;

- To ensure that the internal auditor has direct access to the FAR Chairman and the FAR committee and is accountable to FAR;
- To receive a report on the results of the internal auditor's work on a periodic basis;
- To review and monitor Association management's responsiveness to the internal auditor's findings and recommendations (including TSAM Limited); and
- To monitor and assess the role and effectiveness of the internal audit function in the overall context of the Association's risk management system (including TSAM Limited).

### **External Audit**

- To oversee the Association's relations with the external auditor;
- To consider, and make recommendations on the appointment, reappointment and removal of the external auditor;
- To approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided;
- To assess the qualification, expertise and resources, effectiveness and independence of the external auditors annually. Steps to consider include:
  - Seeking reassurance that the auditors and their staff have no family, financial, employment, investment or business relationship with the Association (other than in the normal course of business);
  - Seeking from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff;
  - monitoring the external audit firm's compliance with applicable ethical guidance relating to the rotation of audit partners, the level of fees that the Association pays in proportion to the overall fee income of the firm, office and partner and other related regulatory requirements; and
  - agreeing with the FAR committee and monitoring the Association's policy for the employment of former employees of the external auditor.
- To discuss with the external auditor, before audit commences, the nature and scope of the audit;
- To review with the external auditor, the findings of its work, including, any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgements; levels of errors identified during the audit, obtaining explanations from Association management and, where necessary the external auditors, as to why certain errors might remain unadjusted;
- To review the audit representation letters before consideration by the board giving particular consideration to matters that relate to non-standard issues;
- To assess, at the end of the audit cycle, the effectiveness of the audit process by:
  - Reviewing whether the auditor has met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;
  - Consideration of the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from FAR, and in their commentary, where appropriate, on the systems of internal control, and
  - Obtaining feedback about the conduct of the audit from key people involved.
- To review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the Association's

- operations and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon;
- To develop and recommend to the NSC the Association's policy in relation to the provision of non-audit services by the auditor and ensure that the provision of such services does not impair the external auditor's independence or objectivity. In doing so, FAR should:
    - Consider whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
    - Consider whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
    - Consider the nature of the non-audit services, the related fee levels, and the fee levels individually and in aggregate relative to the audit fee;
    - Consider the criteria that govern the compensation of the individuals performing the audit; and
    - Set and apply a formal policy specifying the types of non-audit work: from which the external auditors are excluded; for which the external auditors can be engaged without referral to FAR; and for which a case-by-case decision is necessary.

## REPORTING

The FAR Chairman shall, at a minimum, attend the NSC meeting at which the accounts are approved.

The FAR committee shall annually review its terms of reference and its own effectiveness and recommend to the NSC any necessary changes.

FAR is to provide an open avenue of communication among internal audit, the external auditors and the NSC.

The FAR committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. Such a report should specifically include:

- A summary of the role of the FAR committee;
- The names and qualifications of all members of the FAR committee during the period;
- The number of FAR committee meetings and attendance by each member; and
- The way the FAR committee has discharged its responsibilities.

The FAR shall report to the Association's General Assembly as part of the report on its activities in the Association's annual report. Any disagreements between FAR and NSC should also be included.

If the NSC does not accept the FAR committee's recommendation regarding the appointment, reappointment and removal of the external auditor, the FAR committee shall include a statement explaining its recommendation and reasons why the NSC has taken a different stance in the annual report.

The FAR committee chairman shall attend the AGM and shall answer questions on the FAR committee's activities and its responsibilities.

**Reference:**

*Audit Committee Institute-Sponsored KPMG-RU (2009) 'Example audit committee terms of reference'*

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