

## Draft Terms of Reference for Audit and Risk Assurance Committee

<b>Contact name and details</b>	Mrs Louise C Wilkins Conference Officer for Legal and Constitutional Practice wilkinsl@methodistchurch.org.uk
<b>Resolutions</b>	84/1. The Council receives the report.  84/2. The Council adopts the draft terms of reference for the Audit and Risk Assurance Committee and directs the Conference Officer for Legal and Constitutional Practice to ensure the necessary amendments to Standing Orders are presented to the Conference in 2020.

1. The below draft terms of reference are brought to the Council for consideration in light of the current terms of reference being too lengthy, too focused on financial matters and lacking in clarity on the role that the Committee plays in Risk Management. It is proposed that the Audit Committee be renamed as the Audit and Risk Assurance Committee to reflect that, whilst the Committee is not responsible for identifying or managing the risks posed to the Church and Connexional Team, the Audit Committee plays a pivotal role in oversight and ensuring that appropriate assurance and processes for risk management are in place.
2. The terms of reference as drafted are contrary to three points currently contained within the Standing Order 213A. These are:
  - Reducing the membership from 5 to 3
  - Appointing members initially for 4 years and thereafter annually. The Standing Order provides for the appointments being annual.
  - Name of Committee to change from Audit Committee to Audit and Risk Assurance Committee
3. The amendments therefore proposed to the Terms of reference cannot therefore be made unless the Conference in 2020 amends the Standing Order. However, the Council is asked to endorse these terms of reference and adopt them subject to the necessary Standing Order amendments. The Audit Committee will work to the below terms of reference for this connexional year but will continue to ensure that it abides by the Standing Order which it appreciates has precedence over the terms of reference.

## Draft Terms of Reference for Audit and Risk Assurance Committee

The Methodist Conference appoints an Audit and Risk Assurance Committee to support the Methodist Council and the Senior Management of the Connexional Team in their responsibilities for ensuring the adequacy of risk management and the assessment of the control environment through both external and internal assurance.

The Audit and Risk Assurance Committee will review the comprehensiveness of assurances for the Council and review the reliability and integrity of those assurances. The Audit and Risk Assurance Committee is a sub-committee of the Methodist Council and shall provide assurance to each meeting of the Council, with a full report provided annually.

### 1. Membership

- 1.1 The Audit and Risk Assurance Committee (ARAC) will have no fewer than 3 members all of whom shall be members of the Methodist Church but none shall be members of the Methodist Council, Strategy and Resources Committee, or Connexional Team.
- 1.2 All ARAC members will be appointed to the ARAC for an initial term of four years and then on an annual basis thereafter. The members shall be appointed by the Conference upon the nomination of the Council in accordance with Standing Order 213A(1). One person shall be appointed by the Methodist Council to be chair of the ARAC and this person shall be suitably financially qualified and have recent and relevant financial experience.
- 1.3 All appointments shall be made with due regard to the need to understand the purposes of the Methodist Church, objectives of the Methodist Council and regulatory framework of the Methodist Church as a large national charity. ARAC members will ideally collectively possess knowledge and skills in accounting, risk management, audit, finance and governance.
- 1.4 Members of the ARAC commit to being appointed by the Conference for a period of at least four years and may be appointed for a further two years thereafter. No member of the ARAC shall be appointed for a period of more than six years unless the nomination is made by the Methodist Council with a majority vote of 75% of those members present and voting at the Council.
- 1.5 The Methodist Council may appoint new members of the ARAC between meetings of the Methodist Conference should the membership of the ARAC fall below the minimum number set out in clause 1.1 due to resignation, death or loss of Methodist membership.

### 2. Frequency of meetings

- 2.1 The ARAC will meet at least three times per year at appropriate times in the reporting and audit cycle or as requested by the external auditors, internal auditors, senior management of the Connexional Team or the Methodist Council.

### 3. Attendance at ARAC meetings

- 3.1 ARAC meetings will normally be attended by:
  - The Secretary of the Conference
  - The Connexional Secretary
  - The Conference Office for Legal and Constitutional Practice

- The Director of Finance and Resources
- A Governance Adviser
- One of the Connexional Treasurers

3.2 The ARAC may ask any other members of the Connexional Team to attend to assist it with its discussions on any particular matter.

3.3 All meetings will be chaired by the Chair of the ARAC. In the absence of the Chair the remaining members present shall elect one of their number to chair the meeting.

3.4 The ARAC may ask any or all of those who normally attend but who are not members to withdraw from the discussion of particular matters to facilitate open and frank discussion.

3.5 The ARAC will meet at least annually with each of the external and internal auditors without members of the Connexional Team being present to discuss their respective remits and any issues arising from their audits.

#### **4. Notice of meetings**

4.1 Unless otherwise agreed, an annual schedule of meeting dates, times and venues shall be agreed at the first meeting of the Committee in each connexional year.

4.2 The Chair of the Committee, Director of Finance and Resources and Conference Officer for Legal and Constitutional Practice shall ensure that an agenda and relevant papers for the meeting are sent to all members and those invited to attend at least seven days ahead of a forthcoming meeting.

4.3 In addition to its scheduled meetings, further meetings of the ARAC may be called by the Chair of the Committee or at the request of the Chair of the Methodist Council or external auditor.

#### **5. Minutes of meetings**

5.1 The Director of Finance and Resources shall ensure that a Connexional Team member is available for every meeting to record the proceedings and decisions of each meeting, including the names of those present and in attendance and any declarations of conflict of interest.

5.2 Draft minutes of the meetings shall be circulated within 15 working days of the meeting taking place to the Chair of the ARAC and then to all members and attendees of the ARAC.

5.3 The minutes of the meeting shall be approved by the ARAC at its subsequent meeting.

#### **6. Duties and responsibilities**

##### **6.1 External Audit**

6.1.1 The ARAC will annually advise the Council upon the appointment of the external auditors to fulfil the responsibilities set out in Standing Order 012 in respect of all the funds under the Council's responsibilities.

6.1.2 The ARAC shall advise the Methodist Council upon the scope and nature of the external auditor's work.

6.1.3 The ARAC shall formally review the appointment of the external auditor annually.

6.1.4 The ARAC will advise the Council on and support the Senior Management in monitoring, planning for or acting upon:

- the annual plans for external audit, in light of Methodist Council's objectives;
- the adequacy of management responses to issues raised by external audit;
- the performance of external audit services.

## **6.2 Annual Report and Accounts**

6.2.1 The ARAC shall consider the Methodist Church of Great Britain's accounts and trustee annual report so as to ensure:

- that there has been a robust process in preparing the accounts and annual report;
- the unified statement of connexional finances required by Standing Order 360(1) and trustee annual report have been subject to sufficient review by relevant members of Senior Management within the Connexional Team and the Finance Sub-Committee of the Strategy and Resources Committee before being recommended for approval by the Methodist Council;
- issues raised by the External Auditors have been given appropriate attention by Senior Management of the Connexional Team and the Strategy and Resources Committee;
- any concerns are raised with the Methodist Council about the processes for preparation of and review of the accounts and annual report.

6.2.2 The ARAC should satisfy itself that the annual financial statements represent fairly the financial position of the organisation.

## **6.3 Internal Audit**

6.3.1 The ARAC will advise the Council on and support the Senior Management in monitoring, planning for or acting upon:

- the adequacy of the Connexional Team's assurance processes including but not limited to, financial controls, grants, compliance with legislative and regulatory requirements and adherence to relevant Codes of Practice;
- the annual plans for internal audit, in light of the Methodist Council's objectives;
- the adequacy of management responses to issues raised by internal auditors and the implementation of internal audit recommendations and timescales;
- the appointment of internal auditors;
- the performance of internal audit services;
- the adequacy of the Council's policies for whistle-blowing, business continuity, serious incident reporting to the Charity Commission, Information Commissioner and Funding Regulator, and cyber and information security;

6.3.2 The ARAC shall review the appointment of the internal auditor annually and re-tender for the appointment of the internal auditors at least every 5 years.

## **6.4 Risk Management**

6.4 The ARAC will advise the Council on and support the Senior Management in monitoring, planning for or acting upon:

- the processes for identifying, assessing, mitigating, owning of, monitoring and reporting on risks;

- the capability of the organisation’s internal reporting system to provide early warning of control failures and emerging risks;
- the adequacy of the organisation’s assurance arrangements relating to the management of risk,
- the adequacy of the oversight of the Methodist Council of its self-accounting entities in respect of finances, and risk management;

## **6.5 Whistleblowing**

6.5.1 The ARAC shall receive any concerns about alleged improprieties, misconduct or wrongdoing raised by whistle blowing at every scheduled meeting and shall act upon such concerns as the ARAC consider appropriate.

6.5.2 The ARAC may advise the Methodist Council on recommendations for the improvement of the whistleblowing policy as it considers necessary whether or not in response to an incident.

## **7. Reporting responsibilities**

7.1 The Chair will provide an annual report to the Methodist Council in January, summarising the Committee’s conclusions from the work it has done during the year.

## **8. Other matters**

8.1 If anything contained within the terms of reference contradicts those contained in Standing Order 213A or any other Standing Order contained in the Constitutional Practice and Discipline of the Methodist Church, the Standing Order shall be the final authority.

8.2 The ARAC shall arrange for periodic reviews of its own performance including periodic self-assessment and external independent review as appropriate.

8.3 The ARAC may propose to the Methodist Council amendments to its terms of reference in light of its annual review of its terms of reference and changes to recommended good practice, legislative and regulatory requirements.

## **\*\*\*RESOLUTIONS**

**84/1. The Council receives the report.**

**84/2. The Council adopts the draft terms of reference for the Audit and Risk Assurance Committee and directs the Conference Officer for Legal and Constitutional Practice to ensure that the necessary amendments to Standing Orders are presented to the Conference in 2020.**