

WORCESTER DIOCESAN BOARD OF FINANCE LIMITED

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Preamble

The governance of the Worcester Diocesan Board of Finance Limited (the “DBF”) is already well developed through the Bishop’s Council and its Boards and Committees. The DBF has a membership which is coterminous with the Diocesan Synod. The DBF’s Directors / Trustees are the members of the Bishop’s Council.

The DBF’s policy is already subject to the scrutiny of its membership being the Diocesan Synod through the Annual Report & Accounts and annual approval of its budget. The role of an Audit Committee is therefore seen as dealing with matters of probity rather than policy. So, while its functions and procedures are drawn widely, as to do other would negate the integrity of the Committee, it would not be intended to duplicate governance arrangements more properly carried out by other Committees, Boards and Councils.

It is anticipated that the Committee would normally be able to fulfil its functions by holding two meetings per annum.

1 Title and status

- (a) The name of the Committee shall be ‘The Audit Committee of the Worcester Diocesan Board of Finance Limited’, hereinafter referred to in this constitution by its short title ‘The Audit Committee’.
- (b) The Audit Committee shall be a committee of the Bishops’ Council (as the Directors of the DBF) and a body answerable to the DBF in general meeting through the Bishop’s Council.

2 Authority

- (a) The Audit Committee is authorised by the Bishop’s Council to investigate any activity within its remit as described under clause 3 of this constitution. It is authorised to seek any information and explanations it requires from any member of staff, the members of the Bishops’ Council, and members of Boards and Committees, who shall co-operate fully with any request made by the Audit Committee in pursuance of its duties and supply such information and explanations in that respect as the Audit Committee may require.
- (b) The management of the DBF has an obligation to ensure the Audit Committee is kept properly informed about matters within its remit as described under clause 3 of this constitution, and should take the initiative in supplying information rather than waiting to be asked.
- (c) The Audit Committee shall be able to commission advice up to £1,000 plus VAT of cost if in discharging its duties it wishes to obtain outside legal or

other independent professional advice. (see note 1) If such costs would exceed £1,000 plus VAT authorisation should be requested via the Diocesan Secretary and, if necessary to the Bishop's Council.

3 Functions

The functions of the Audit Committee shall be:

- (a) To oversee the discharge of the Bishops' Council's responsibilities relating to financial statements, governance, risk management and internal control systems (and internal) and external audit and report to the Bishops' Council thereon (normally by the submission of an annual report) with recommendations as appropriate. Such reports shall normally be made via the Resources Board Executive Committee.
- (b) In relation to the external auditor, to consider the appointment, the audit fee and any questions of rotation, resignation or dismissal, and to make recommendations to the Bishops' Council as appropriate.
- (c) To discuss with the external auditors before the audit begins the nature and scope of the audit, to review their arrangements for assuring independence and objectivity and the effectiveness of the audit process.
- (d) To review the management input to the annual financial statements and trustees' report with particular reference to:
 - (i) significant accounting policies, any changes to them and any significant estimates and judgements;
 - (ii) the significant financial reporting issues and judgements made in connection with the preparation of the financial statements;
 - (iii) the clarity and completeness of disclosures in the financial statements and consideration of whether the disclosures are set properly in context;
 - (iv) any significant adjustments resulting from the audit;
 - (v) compliance with accounting standards;
 - (vi) compliance with legal requirements;and to make recommendations on their adoption to the Bishop's Council as appropriate.
- (e) To keep under review the effectiveness of governance, risk management internal control systems and in particular to review the external auditor's post audit letter and the management response;
- (f) To consider representations which may be made to the Audit Committee by members of the Bishop's Council, members of the DBF's staff, Diocesan Synod members or other persons.

- (g) To publish each year a report on the discharge of its functions which shall be laid before the Bishop's Council and the Diocesan Synod.

4 Membership

The Audit Committee shall consist of a Chair and four other members:

- (a) The Chair shall be appointed by the Bishop's Council. Members of the Bishop's Council, or any other diocesan Boards, Councils or Committees, who routinely deal with the financial affairs of the DBF are not eligible for appointment as Chair of the Audit Committee.
- (b) A further member shall be appointed by the Bishop's Council with the same disqualifications for appointment as 4(a) above.
- (c) The other members of the Audit Committee shall consist of one clerical and two lay members elected by the respective Houses of the Diocesan Synod who shall be, at the time of such election, qualified to be elected to membership of that Synod. (but such persons shall not by virtue of election to the Audit Committee become members of the Synod.) Such persons shall be disqualified as members of the Audit Committee if they become a member of any diocesan Council, Board or Committee or a DBF employee. The Diocesan Secretary shall be the Presiding Officer for such elections.
- (c) The Audit Committee shall have no power of co-option to the Audit Committee.
- (d) The Audit Committee shall elect a Vice-Chair from its number.

5 Term of office

- (a) The Chair of the Audit Committee shall hold office for a term determined by the Bishop's Council not exceeding five years, provided that the Bishop's Council may, on the expiry of such term, determine that the Chair may serve for a further term not exceeding five years.
- (b) Subject to their continuing qualification for membership and election by respective houses of the Diocesan Synod each triennium, the other members of the Audit Committee:
 - (i) shall hold office until the appointment or election of their successors;
 - (ii) shall not serve for more than two full successive terms of three years.

6 Observers, consultants and assessors

The Audit Committee may invite such other observers, consultants or assessors as it considers appropriate to its meetings from time to time. Such persons shall have the right to speak but not to vote.

7 Business and procedure

- (a) The quorum shall be not less than two of the members of the Audit Committee for the time being, one of whom shall be the Chair or the Vice-Chair, and no business shall be transacted in the absence of a quorum. Subject thereto the Audit Committee may transact business notwithstanding vacancies.
- (b) The Audit Committee may appoint:
- (i) such decision-making committees as the Bishop's Council may from time to time authorise (on such terms as to membership, appointment, functions and reporting back or otherwise as the Bishop's Council may determine);
- (ii) such other committees as it shall from time to time determine.
- Any such committee may include persons who are not members of the Audit Committee.
- (c) The Audit Committee shall report to the Bishop's Council such details of its business, procedure and activities as the Bishop's Council or the Diocesan Secretary on its behalf may from time to time direct.
- (d) The Audit Committee would be routinely attended by the external Auditor, the DBF Chair and Vice Chair and the Diocesan Secretary except where their attendance would constitute a personal conflict of interest.
- (e) The Assistant Diocesan Secretary (Finance) will be the Secretary to the Audit Committee but shall not be a member.
- (f) Subject as aforesaid, the Audit Committee shall have power to regulate its own business and procedure.

8. Commencement

- (a) The Audit Committee shall come into being on 1 January 2010 at the start of the 2010 – 2012 triennium.
- (b) The appointment under paragraph 4(a) may be made by the Bishop's Council at any time during 2009.
- (c) The first elections under paragraph 4(b) shall be conducted at the same time in 2009 as the elections by the Diocesan Synod to the Bishop's Council for the 2010 – 2012 triennium.

Footnotes

(note 1) £1,000 plus VAT was recommended by the Auditor. See also note 2.

(note 2) These terms of reference were approved by the Bishop's Council in April 2009 with the following footnotes:

- Clause 2(c): the figure of £1,000 plus VAT was an aggregate limit.
- Clause 5b(i) does not preclude the right of resignation of a member of the Audit Committee.