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| DOCUMENT TITLE | Terms of reference – Finance, Audit and Risk Committee |
| LAST UPDATED | October 2022 |
| PURPOSE | To provide a sample terms of reference for an organization’s finance, audit and risk committee. |
| HOW TO USE | Read this document carefully, edit as required making sure terms are in alignment with any of your organization’s appropriate bylaws. |
| ADDITIONAL NOTES / CONSIDERATIONS  This document has been designed as a sample template and should be modified as required to work with the context and bylaws of your organization.  It is important to note that even if the board lawfully delegates responsibility for a decision to an individual or committee, the accountability the board assumes can never be delegated. The oard is ultimately responsible for all its decisions (made collectively, by a committee or as a single individual on the board), thus including those made through delegation. Considering this, the board would be prudent to ensure that any committee has the appropriate experience, delegations, and reporting lines.  This document does not constitute legal advice and should not be relied upon as such. Expert counsel is recommended if there are any issues requiring clarification. | |
| Remove this table from the document before revising and issuing for your organization. | |

# Finance, Audit and Risk Committee – terms of reference

A Finance, Audit and Risk Committee is a “subcommittee” of a sport organization's board that is primarily responsible for an organization’s financial integrity, annual audit and preparation of financial statements, and the management of risks associated with its operations. It may also be involved in other topics at the discretion of the board.

## Role of the Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee typically:

* Represents the board in overseeing all material aspects of the organization's financial reporting, accounting standards, and internal controls that support prudent financial management.
* Is the board committee responsible for investigating how the organization's business risks are captured, assessed, and mitigated?
* Plays a crucial role in managing the audit and compliance responsibilities of the organization.

For larger, or more complex organizations, separate committees may be established (e.g., Finance and Audit, or Audit and Risk, etc.).

# Terms of Reference

* 1. The Finance, Audit and Risk Committee (‘Committee’) is a committee of the Board of **<organization name>** (‘Board’).
  2. This document is the written terms of reference of the Committee and sets out the roles and responsibilities, composition and operation of the Committee (“Terms of Reference”).
  3. These Terms of Reference are enforced as per the relevant provision in the bylaws of **<organization name>.**

# Purpose

* 1. The purpose of the Finance, Audit and Risk Committee is to:
     1. Ensure the integrity of financial statements and accounts for the organization.
     2. Ensure appropriate organizational internal controls, rules, and processes are used to identify and manage business risks.
     3. Evaluate organizational insurance operations.
     4. Evaluate qualifications, independence, engagement, fees, and performance of the External Auditor of the organization.
     5. Oversee annual audit of the organization's financial accounts by the External Auditor.
     6. Monitor and ensure compliance of the organization with legal, regulatory, and compliance policies.

# Authority

The board has authorized the committee, within the scope of its responsibilities and duties as outlined in this Terms of Reference, to:

* 1. Perform the necessary tasks to fulfil its responsibilities and make recommendations to the board.
  2. Resolve any disagreements between Management and the External Auditor, notifying the board of any serious disagreements.
  3. Select, engage, and approve fees for any professional advisers the committee may need to fulfil its responsibilities.
  4. Require the attendance of any management or employee of the organization, as appropriate, at meetings.
  5. Have unrestricted access to management, employees, and any information it deems pertinent to its duties under the Terms of Reference.

# Committee Duties and Responsibilities

The duties of the committee shall be:

* 1. Assessment of financial information
     1. Examine all key accounting and reporting issues, including professional and regulatory pronouncements, and determine their impact on the organization's financial statements.
     2. Review the annual financial statements of the organization which require approval of the board with the External Auditor and Management before submission to the board.
     3. Review on at least an annual basis, the written attestations produced by the CEO/Executive Director and Finance Manager/Accountant.
     4. Continuously monitor for potential conflicts of interest and pre-approval of all transactions involving connected parties.
     5. Review periodic management accounts and capital budgets prepared by executive management for approval and submission to board.
  2. Selection and oversight of external auditor
     1. Recommend to the board the selection, appraisal, and termination of the external auditor, including matters concerning independence.
     2. Review and approve the proposed audit plan and audit methodology from the external auditor.
     3. Prior to the start of each audit, review and agree on the terms of engagement and audit fees for the external auditor.
     4. Examine the summary management report from the external auditor, which details the audit's findings and management's responses.
     5. Meet regularly with the external auditor in the absence of management.
  3. Business risks and internal controls
     1. Recommend to the board the approval of the organization's risk management policy and supervise the risk management system.
     2. Recommend to the board, and monitor, the organization's risk profile produced by management, which includes strategic, operational, legal, and financial enterprise-wide risks.
     3. Examine the operational efficacy of the risk policies and procedures and the internal control environment of the organization.
     4. Assess the effectiveness of the organization's insurance and compliance with Work Safe B.C.
  4. Compliance
     1. Evaluate the efficacy of the organization's strategy for achieving compliance with laws, rules, and organization policies.
     2. Examine any correspondence from regulatory bodies pertaining to major issues.
     3. Ensure there is a procedure in place for the Board Chair and Committee Chair to be quickly notified of any substantial non-compliance issues or lawsuits.
  5. Reporting
     1. The Committee Chair will submit a written report to the board outlining the committee's meetings, including all relevant items and appropriate recommendations, for the board's consideration or approval.
     2. The Committee Chair will ensure that the Board Chair and board are immediately notified of matters that may have a major impact on the organization's financial condition or reputation.

# Committee duration

* 1. The committee is a standing committee and therefore has no fixed start and end date.

# Committee membership

* 1. The committee is made up of a minimum of three (3) and a maximum of five (5) members:
     1. A Chair appointed by the board with finance, audit and risk skills and experience.
     2. Up to two (2) other Board Directors with skills as determined by the board.
     3. Up to two (2) additional non-director members with relevant skills and experience.
     4. The CEO/Executive Director will support the committee and attend meetings as required in a non-voting capacity
  2. Term limits for members of the committee will be the same as term limits for the board.
  3. Committee members shall be financially literate as defined by the board, understanding how to read and interpret financial statements.
  4. Invitees
     1. The committee may invite important staff, independent experts, and members of the organization's management team to meetings when agenda issues are relevant to an invitee's responsibilities, or it is judged that the invitee may help the committee achieve its objectives.
     2. Any committee meeting is open to the Board Chair.
     3. Invitees may participate in the meeting's business and debates, but they do not have voting rights.

# Procedure for Meetings

* 1. The committee will meet at least four (4) times each year, or as often as it considers necessary or appropriate to fulfil its responsibilities under these Terms of Reference. A meeting may be conducted in person or online.
  2. A meeting quorum will be two (2) members of the committee and must include one (1) Director.
  3. If the Chair is not present, one of the other Board appointed Directors will act as Chair for that meeting.
  4. Consensus will be used to make decisions (i.e., members are satisfied with the decision even though it may not be their first choice). If that is not possible, members shall vote, with the Chair casting the final decision.
  5. Agendas
     1. The meeting agenda will be prepared in consultation with the Chair and CEO/Executive Director, to include past minutes, business arising, supporting papers for resolution, endorsement, discussion or noting.
     2. At least seven (7) days prior to each meeting, the agenda and supporting documentation should be emailed or distributed electronically to committee members.
     3. Meeting agendas are structured throughout the year in accordance with the annual committee schedule to ensure each significant responsibility of the committee is addressed.
  6. Minutes
     1. All committee meetings' proceedings, action items, and recommendations are recorded in the minutes.
     2. Once authorized by the Chair, draft meeting minutes shall be sent to all committee members within one (1) week of the meeting, unless otherwise agreed by the committee.
     3. The committee shall approve the minutes at the beginning of the next meeting, with the presiding Chair signing the minutes at the subsequent meeting.
     4. Copies of all approved minutes will be published in the board's official documents for reference.
  7. Reporting
     1. Following each meeting of the committee, the Committee Chair or a delegate will report to the Board.
     2. Committees reports to the Board will:
        1. Ensure the board is aware of key topics and decisions considered by the committee.
        2. Enhance board awareness ensuring all delegated obligations have been met.
        3. Aid in the periodic review of the committee's performance.
  8. The committee may occasionally form working groups, each of which will report to the committee.

# Terms

* 1. The committee must always have a clearly defined Terms of Reference in place.
  2. The Terms of Reference will be reviewed annually and reconfirmed at the first meeting of the next calendar year, or more frequently when considered necessary to ensure its applicability and effectiveness. Any changes or updates must be presented for Board approval.

# Effectiveness Monitoring and Reporting

* 1. Annually, during the first meeting of the calendar year, the committee shall evaluate its performance in relation to its mission to determine its performance.
  2. The review may be conducted as a self-assessment and will be coordinated by the Chair. The evaluation may solicit comments from any individual or group.

# Conflict of Interest

* 1. When an actual, potential, or perceived conflict of interest emerges as a result of a member(s) performing committee duties, an immediate declaration must be made to the Chair, reviewed at each committee meeting, and captured in the meeting minutes.
  2. The Chair, in conjunction with the remaining committee members, will determine the appropriate action to be taken to resolve or mitigate the conflict.