



# Charter

## Audit, Finance and Risk Committee

December 2018



# Audit, Finance and Risk Committee Charter

The Board of the Presbyterian and Methodist Schools Association (PMSA) has resolved to establish a committee of Board to be known as the Audit, Finance and Risk Committee with its objectives, composition, term of office, powers and authority, and duties and responsibilities as set out hereunder.

## 1. Objectives

The primary objective of the Committee is to assist the PMSA Board in fulfilling its responsibilities relating to the accounting and reporting practices and operating activities of the PMSA.

The Committee must always act within the Vision, Mission and Values of the PMSA.

The Committee will:

- make recommendations to the PMSA Board on the adequacy of the PMSA accounting, administrative, and operating controls;
- maintain, by scheduling regular meetings, open lines of communications among members of the PMSA Board, the external auditors and the internal auditors to exchange information and views, as well as confirm their respective authority and responsibilities;
- maintain open lines of communication with the Chairman of each of the School Councils and School Business Managers to facilitate reporting and operational efficiency;
- oversee and appraise the quality and cost of audits conducted by both the PMSA Board 's external and internal auditors;
- serve as an independent party to review the financial information presented by managements to the PMSA including the PMSA Board, the school community, and the general public; and
- Makes recommendations to the PMSA Board and monitors performance in relation to Risk Framework and Information Management Systems (including security).

## 2. Composition

The PMSA Board shall appoint the Committee. It shall have a maximum of six members, composed of the Treasurer who shall be the Chairman, and other members as determined by the Board, of whom two may be external members. Senior management representatives (CEO, CFO and Risk Director) may be appointed as ex officio members with no voting powers.

The Chairman will be elected by members of the Committee for a period of 12 months. Nominations for Chairman shall be approved at the Annual General Meeting.

It is preferable that all governance members be independent of School Councils and free from interests, which might, in the opinion of the PMSA., be construed as a conflict of interest. If a member is a member of another PMSA committee or School Council, such role shall be declared and the member shall abstain from any discussions or decisions concerning issues that may affect that committee or school. The Chairman of any School Council is ineligible to be a member of this Committee. The Chairman of each of the School Councils, Principals and Business Managers, not being eligible for membership of this Committee, attend Committee

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meetings and participate in discussions as required.

The Committee may from time-to-time invite any other person to attend meetings and participate in discussions concerning specific issues.

### 3. Term of membership

Member's term of membership of the Committee shall be for two years.

### 4. Meetings

The Chief Executive Officer serves as Secretary to the Committee and assists the Chairman in drawing up the agenda for each meeting which shall be circulated, at least one week prior to the meeting, to Committee members. The Secretary is also responsible for keeping and circulating the minutes of meetings.

The Committee shall hold four regular meetings each year and such additional meetings, as the Committee Chairman shall decide to fulfil its duties. Meetings shall be held:

- at the planning stage of the external audit program;
- before the meeting of the PMSA Board which approves the annual operational plan;
- prior to the meeting of the PMSA Board which approves the annual report and accounts; and
- prior to any significant Risk Management decisions being recommended to the PMSA Board.

In addition, the Committee Chairman shall call a meeting of the Committee if requested to do so by the PMSA Board.

### 5. Quorum

A quorum shall consist of three Committee members.

### 6. Access

The Committee shall have the authority to seek any information it requires from any officer or employee of the Association or its associated bodies. The Committee is authorised to consult independent experts the expense of which is to be met by the Association out of its budget allocation, or invite them to join the Committee, for such advice, as it reasonably considers necessary to execute its duties and responsibilities.

### 7. Duties and responsibilities

The Committee shall consider any matters relating to the operations and activities of the Board and constituent schools and to the role of external and internal audit and any risk management or information management issues that it deems to be desirable. In addition, the

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Committee shall examine any other matters referred to it by the PMSA Board.

Specific duties and responsibilities of the Committee are as follows:

#### Control and policies

- evaluate the PMSA's exposure to corporate risk and fraud and monitor the development and implementation of internal controls to contain such frauds and risks;
- evaluate the adequacy and effectiveness of the PMSA's accounting, administrative, information technology and operating policies through active communication with operating management, internal audit and external auditor;
- evaluate the adequacy of the PMSA's accounting control system and its information technology and operational controls and procedures, by reviewing written reports from the external and internal auditors, and monitor management's responses and actions to correct any noted deficiencies;
- monitor the standard of corporate conduct in areas such as arm's length dealings and actual or potential conflicts of interest; and
- take an active interest in ethical considerations regarding the PMSA's financial and operational policies and practices.

#### Financial reporting

Review and make recommendation to the PMSA Board on:

- all significant accounting policy changes;
- the content of quarterly reports;
- the content of the annual report; and
- the PMSA's annual financial statements, including the auditor's report.

#### Other financial matters

- Identify and direct any special projects or investigations deemed necessary; and
- Develop, review and keep current the critical success factors and the key performance indicators which are central to quarterly reporting by School Councils.

#### Business risk management

The Committee shall consider any matters concerning risk exposures relating to the operations and activities of the Association that it deems desirable, including organisational risk appetite, risk framework including risk register, information systems, health and safety risks. In addition, the Committee shall examine any other matters referred to it by the PMSA Board or the external auditor.

The Committee will review:

- methods of identifying broad areas of risk and set parameters or guidelines for business risk reviews;
- the potential effect of identified risks on the business;
- methods of controlling identified risks taking care to correctly balance risk and control;

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- the disaster recovery contingency planning process;
- the risk profile; and
- risk management plans for, and methods of financing, identified exposures.

#### Legal compliance

- Review any regulatory reports presented to the Association and ensure management responds to them;
- Review the policies and procedures for ensuring the PMSA complies with various forms of federal, state and local government legislation; and
- Review policies relating to the corporate code of conduct, as well as procedures to ensure compliance.

## 8. Operations

This is a risk management and review committee, which considers, amongst other issues, development and capital expenditure, capital raising, debt management and operations with emphasis on risk treatment strategies, products and levels of authority.

Independence is essential to the effectiveness of this Committee. This is achieved primarily by including within its voting membership up to two independent external members to strengthen the Committee's objectivity. The Committee Chairman also has the discretion to invite the Internal Auditor and the External Auditor to any meeting.

The Chairman of each of the School Councils, the Principals and the Business Managers may be invited to attend meetings, to report on the operations of the schools, to participate in discussions and to and to otherwise assist the Committee.

## 9. Authority

The Chairman of the Committee shall report the findings and recommendations of the Committee to the PMSA Board after each Committee meeting. The minutes of all Committee meetings shall be circulated to all members of the PMSA Board.

The Committee shall have no executive powers with regard to its findings and recommendations. These executive powers remain with the PMSA Board.

The Audit, Finance and Risk Committee has delegated authority to:

- employ or retain independent experts;
- agree to contract terms for external auditors;
- establish and operate financial services arrangements; and
- execute financial and legal transactions,

provided that the transactions fall within an approved budgetary allocation or specific PMSA Board approval.

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