# Section 2.2
# AUDIT AND COMPLIANCE COMMITTEE

## 2.2.1 CONSTITUTION AND CONDUCT

**Composition:** Members of the Committee shall be appointed by the Lincoln Diocesan Trust and Board of Finance (LDTBF). It will comprise no more than four members of the LDTBF (including the committee Chair) and no more than two external members who have relevant and recent financial experience. The LDTBF Chair may not be a member of the Audit Committee but may attend its meetings.

The Diocesan Secretary, and Director of Finance will attend meetings at the invitation of the Committee. The external auditor will be invited to attend meetings.

The Chair of the Committee will be appointed by the Bishop of Lincoln on the recommendation of the Chair of the LDTBF. In the absence of the Committee Chair the three remaining trustee members shall appoint one of themselves to chair the meeting. The Deputy Diocesan Secretary will act as Secretary to the Committee.

**Chair:** The Chair shall be elected by the Members of the Committee from among the four Members elected by LDTBF. In the absence of the Chair, the remaining trustee Members will appoint one of their number to chair the meeting.

**Term of office:**

**Officers:**

**Meetings:** The Committee shall meet at least four times a year to fit in with the annual reporting cycle and the production of the Diocese's Annual Report and otherwise as required

**Voting:** Voting is by majority show of hands. All decisions and recommendations directly relating to the Committee's purpose as defined in Section 2, 'Overall Purpose of the Committee', below (as distinct from such matters as the committee's working practices) must also have the support of a majority of the trustee Members. The chair has the casting vote in the event of a tie.

**Quorum:** A quorum will be any three of the four trustee members

**Minutes:** The Secretary shall minute the proceedings and decisions of all meetings. Minutes shall be circulated promptly to all members of the Committee and, once agreed, to all members of the LDTBF.

**Reporting:** The Chair of the Committee shall be responsible for ensuring effective communication with the LDTBF and with other committees of the LDTBF as set out in Section 5 'Communication' below
The Diocese's Annual Report shall include a statement regarding any matters where the LDTBF overrules an Audit Committee recommendation

### 2.2.2 OVERALL PURPOSE OF THE COMMITTEE:

The overall purpose of the Committee is to monitor and review:

a) The integrity of the Diocese's Annual Report and accounting policies
b) The effectiveness of the Diocese's governance, internal controls and risk management systems including an assessment of the adequacy of resource to support the same
c) The relationship with and effectiveness of the external audit function
d) The nature and quality of financial information used by the LDTBF to discharge its activities as Trustees of the Diocese

### 2.2.3 AUTHORITY

The Committee is authorised by the LDTBF to:
a) Investigate any activity within its terms of reference
b) Seek any information that it requires from any employee of the Diocese and all employees are directed to co-operate with any request made by the Committee
c) Call any employee to be questioned at a meeting of the Committee as and when required
d) Obtain outside legal or independent professional advice and such advisors may attend meetings as necessary
e) Review and report on any other topics requested by the LDTBF

### 2.2.4 RESPONSIBILITIES

The Committee will use a risk based approach to:
a) review the adequacy and effectiveness of the governance, decision-making and internal controls in so far as they impact the finances and effective operation of the Diocese
b) review whether the Diocese has sufficient management resource and back up to ensure the effectiveness of the above
c) approve the statements to be included in the Annual Report concerning governance, risks and internal controls
d) review the processes for assessing risk
e) review the processes for detecting fraud
f) review the "whistle-blowing" processes

#### 2.2.4.1 Financial reporting:

The Committee will monitor the integrity of the Annual Report and financial statements of the Diocese, The Committee shall also review any statements regarding the Diocese's financial status contained in other public documents.

The Committee shall review and challenge where necessary:
a) the approval and consistency of, and any changes to, accounting policies both on a year on year basis and across the Diocese,
b) the methods used to account for significant or unusual transactions where different approaches are possible,
c) whether the Diocese has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor,
d) the clarity of disclosure in the financial reports and the context in which statements are made.

**2.2.4.2 The Assurance Process:**

The Committee will use the Diocese's Risk Register to develop an Annual Assurance Plan. As part of this process, it will undertake an annual review of the effectiveness of the Risk Register and take into account information gained from previous assurance work.

**2.2.4.2.1 Commissioning assurance**

The Committee will commission appropriately qualified professionals to undertake the studies identified in the Annual Assurance Plan

**2.2.4.2.2 Receiving assurance**

The Committee will receive assurance from the various studies it commissions plus the annual audit carried out by the Diocese's external auditor. It will set up a log to track the timely delivery of the agreed actions identified in such studies.

The Committee will monitor and review the Diocese's compliance with the appropriate legal requirements and codes of governance having due regard to best practice

The Committee will review the Diocese's policies on fraud and whistleblowing and the effective operation of the processes which underpin them.

**2.2.4.2.3 Reporting assurance**

The Committee will provide a report of its activities to each meeting of the LDTBF. In addition, as part of the Annual Report approval process, the Committee will submit a written summary of its activities during the year together with an opinion regarding the adequacy of the systems of internal control in the Diocese.

**2.2.4.3 External Audit:**

The Committee will be responsible for oversight of the relationship with the External Auditor. This will include:

a) recommending to the LDTBF that the External Auditors have the independence and expertise to carry out the annual audit
b) reviewing the Annual Audit Plan
c) agreeing the annual audit fee
d) ensuring that any recommendations they make are appropriately actioned
e) monitoring additional work carried out by the external auditor in addition to the annual audit

The Committee will also manage the process for the appointment of a new external auditor. Responsibility for the appointment of the external auditor rests with the LDTBF

**2.2.4.4 Management Information**

The Committee will review management information used by the LDTBF to oversee the activities of the Diocese to ensure that it is timely and fit for purpose.

**2.2.4.5 Whistle-blowing and Fraud:**

The Committee will:

a) review the arrangements for employees, trustees and all other interested parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
b) review the Diocese's procedures for detecting and managing fraud

#### 2.2.4.6 Complaints policy:

The Committee will:

a) maintain a register of complaints

b) review all persistent complaints

c) oversee and develop the complaints procedure falling outside of the scope of the Clergy Discpline Measure 2003 (as amended)

### 2.2.5. COMMUNICATION

a) The Deputy Diocesan Secretary will normally circulate the ACC agenda and papers at least one week before the Committee meetings

b) Formal Minutes, approved by the Committee Chair will be submitted to the LDTBF following each Audit Committee meeting

c) The Chairman will also provide a report on the activities of ACC at each LDTBF Meeting.

### 2.2.6. ANNUAL REVIEW

The Committee shall conduct an annual review of its terms of reference and its effectiveness in carrying them out and report its findings to the LDTBF. The report should cover:

a) the framework of governance, risk management and internal control

b) the Committee's activities relating to the financial year under review, including any significant issues arising and any significant matters of internal control arising from the Committee's assurance studies

c) the Committee's opinion on the adequacy and effectiveness of the Diocese's audit arrangements

d) the Committee's view of its own effectiveness and how it has fulfilled its terms of reference