

# Charter Of Audit And Risk Committee

## YMCA North Inc.



### 1. Introduction

- 1.1. The Board of the YMCA is responsible for making all policy decisions relating to the management and affairs of the YMCA.
- 1.2. The Board has established an Audit and Risk Committee and delegated certain matters to its Audit and Risk Committee to assist the YMCA Board in fulfilling its oversight responsibilities.
- 1.3. This Charter sets out the governance requirements for the Board's Audit and Risk Committee including the roles and responsibilities, procedures, members' powers and reference to applicable legislation

### 2. Role and Purpose

Committee members are entitled to rely on YMCA executives on matters within their responsibility and on external professionals on matters within their areas of expertise and may assume the accuracy of information provided by such persons, so long as the Committee member is not aware of any reasonable grounds upon which such reliance or assumption may be inappropriate.

The Board may rely upon information provided by the Committee and its members in relation to matters within the Committee's responsibility under the terms of this Charter provided that it has evaluated the information and is not aware of any reasonable basis upon which to question its accuracy. Management is responsible for the preparation, presentation and integrity of the financial statements and for implementing and maintaining appropriate accounting and financial reporting principles, policies, internal controls and procedures designed to assure compliance with applicable financial reporting frameworks laws and regulations.

- 2.1. The Audit and Risk Committee (ARC)'s purpose is to assist the Board in fulfilling its responsibilities in relation to accounting and reporting, external audit, compliance (with laws and regulations and the YMCA's code of business conduct), cash management and risk management.
- 2.2. The ARC will carry out its purpose by overseeing, reviewing and providing advice to the YMCA's Board on:
  - 2.2.1. the integrity of financial reporting;
  - 2.2.2. financial management;
  - 2.2.3. internal control systems;
  - 2.2.4. accounting policy and practice;
  - 2.2.5. the risk management framework and monitoring compliance with that framework;
  - 2.2.6. related party transactions;
  - 2.2.7. compliance with applicable laws, regulations and standards (other than those specifically excluded from this charter);
  - 2.2.8. the relationship with external auditors and their independence
  - 2.2.9. the relationship with any internal audit function;
- 2.3. The Committee will ensure that there is a robust system for identification, assessment, reporting and management of all other forms of risk to the organisation that could compromise the organisation's ability to achieve its social and financial objectives or are in breach of the organisation's rules and regulations other than those specifically excluded from this charter).
- 2.4. In performing its duties, the Committee will maintain effective working relationships with the board of directors, management and the internal and external auditors. To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the Y's business, operations and risks.
- 2.5. Risk monitoring excluded from this charter is Health and Safety and Safeguarding and Child protection.

### 3. Authority

The Committee may delegate any of its responsibilities to the Chairperson of the Committee (or another member) from time to time and on such conditions as the Committee considers appropriate

- 3.1. The Board authorises the Committee, within the scope of its responsibilities, to:
  - 3.1.1. Seek any information it requires from:
    - Any employee (and all employees are directed to co-operate with any request made by the Committee).
    - External parties
  - 3.1.2. Obtain outside legal or other professional advice at the Y's expense.
  - 3.1.3. Ensure the attendance of Y's officers at meetings as appropriate.

### 4. Organisation Membership

The Audit Committee will comprise a minimum of 3 YMCA Board members and in addition may also include co-option onto the ARC of a non-Board member with appropriate financial expertise as an external appointment.

- 4.1. All members should be independent of management.
- 4.2. The ARC must have one member who is a financial expert however where the current financial expert ceases to be a member of the ARC, it is acknowledged that the ARC may not have a financial expert for a short period while a replacement is found.

A financial expert is someone who has the following attributes:

- 4.2.1. An understanding of generally accepted accounting principles and financial statements
- 4.2.2. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- 4.2.3. Experience preparing, auditing, analysing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the YMCA's financial statements, or experience actively supervising one or more persons engaged in such activities;
- 4.2.4. An understanding of internal controls over financial reporting'
- 4.2.5. An understanding of audit committee functions.
- 4.3. The Chairman of the Committee, who shall not be the Chairman of the YMCA Board, will be nominated by the YMCA Board from time to time.
- 4.4. Members will be appointed for a one year term of office. All appointments to and removal from the Committee are the responsibility of the Board and are to be confirmed by the YMCA Board following the YMCA Annual General Meeting.
- 4.5. A quorum for any meeting will be a majority of the Committee members and no fewer than two members.
- 4.6. The Secretary (if required) of the ARC will be nominated by the Chair of the ARC

### 5. Attendance at Meetings and Procedure

- 5.1. The Committee shall meet at least three times per year and on such other occasions as the Chairman considers necessary. Internal audit or the external auditors may convene a meeting if they consider that is necessary.
- 5.2. The Committee may invite such other persons (e.g. the CEO, Group Financial Controller, representatives of internal and external audit) to its meetings as it deems necessary.



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- 5.3. The internal and external auditors should be invited to make presentations to the Committee as appropriate and the Committee should meet the external auditors without management present at least annually and at other meetings if requested by either party.
- 5.4. The agenda and Committee papers will be prepared and circulated to all members of the Committee 1 week prior to Committee meetings however failure to do so will not cause a meeting to be invalid provided a quorum is present.
- 5.5. Meetings shall be held not less than three times a year. Special meetings may be convened as required. Internal audit of the external auditors may convene a meeting if they consider that is necessary.
- 5.6. The proceedings of all meetings will be minuted.
- 5.7. The Chairman will report back to the Board the recommendations of the Committee at the Board meeting following the Committee meeting

### 6. Roles & Responsibilities

The Audit and Risk Committee will:

#### Internal Control

- 6.1. Considering the adequacy of internal controls after consultation with the external auditors, management and any other party appointed by the Committee.
- 6.2. Evaluate whether management is setting the appropriate “control culture” by communications; the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities.
- 6.3. Consider how management is held to account for the security of computer systems and applications and the contingency plans for processing financial information in the event of a systems breakdown.
- 6.4. Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.

### 7. Financial Management and External Financial Reporting General

- 7.1. Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively.
- 7.2. Put control and policy framework in place that will prevent and detect any occurrences of fraud or error in the Y’s operation.
- 7.3. Together with the internal and external auditors, consider any fraud illegal acts, deficiencies in internal control or other similar issues.
- 7.4. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 7.5. Review any legal matters which could significantly impact the financial statements.
- 7.6. Review all aspects of the Y’s activities to ascertain the exposure to risk for the Y, whether it be risk of loss of assets from theft, fire or disaster, risk of loss of reputation as a good corporate citizen or risk of exposure of employees to unhealthy or dangerous circumstances. Other risks to consider will be risks of loss of computer records, and risk of loss arising from employees acting on behalf of the Y without the authority to do so. Then ensuring that procedures are in place to minimise the likelihood of loss or harm from each of the identified risks.
- 7.7. Review any matter of ethical conduct by directors or staff, or legal compliance that may be referred by the YMCA Board to the Committee; then prescribing principles of good conduct when these may be required.

#### External Financial Reporting including Annual Financial Statements

- 7.8. Review the financial statements and other financial reports

determine whether they are prepared in a timely manner and are complete and consistent with the information known to Committee members, assess whether the financial statements reflect appropriate accounting policies. Considering when conducting that review:

- 7.8.1. Changes in accounting policy and practice
- 7.8.2. Significant estimates and judgments
- 7.8.3. Significant variances from budgeted or projected results
- 7.8.4. Accounting implications of new and significant transactions
- 7.8.5. Management practices and any significant disagreements between management and the external auditors
- 7.8.6. Compliance with the applicable GAAP reporting framework and relevant legislation
- 7.8.7. Annual representations by the CEO to the Board that:
  - The Association’s financial statements, in all material respects, fairly reflect the Associations financial condition and performance and are in accordance with the applicable accounting framework and legislation
  - The representations are made based on a sound system of internal controls
  - Takes the form of and mirrors the representations the Board will make on an annual basis to the external auditor (and can be satisfied by the CEO co-signing the representations to the external auditor
- 7.9. Ensure that annual financial budgets are prepared; that trading performance is measured against the annual financial budget (and its revisions) throughout the year.
- 7.10. Meet with management and the external auditors to review the financial statements and the results of the audit and the external auditor’s relationship with management, including a portion of the meeting with the external auditors without management present.
- 7.11. Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members’ knowledge about the Y and its operations.
- 7.12. Reporting the results of the review to the Board and recommending if appropriate the Board adopt the external financial reporting.

#### Internal Audit (if applicable)

- 7.13. Approve the plan of activities and proposed fees of the internal audit function and ensure no unjustified restrictions or limitations are made.
- 7.14. Review the qualifications of internal audit personnel and approve the appointment, replacement, reassignment or dismissal of the internal audit provider.
- 7.15. Review the effectiveness of the internal audit function.
- 7.16. Meet separately with the internal audit provider to discuss any matters that the Committee or auditors believe should be discussed privately.
- 7.17. Ensure that the significant findings and recommendations made by the internal auditors are received and discussed on a timely basis.
- 7.18. Ensure that management responds to recommendations by the internal auditors on a timely basis.

#### External Audit

- 7.19. Review the external auditors’ proposed audit scope and approach (including non-audit services) and ensure no unjustified restrictions or limitation; agree the terms of the letter of engagement and audit fee proposed.
- 7.20. Annually Considering and confirming to the Board the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the YMCA.

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- 7.21. Make recommendations to the YMCA Board regarding the reappointment of the external auditors.
  - 7.22. Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
  - 7.23. Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
  - 7.24. Ensure that management responds to recommendations by the external auditors.
  - 7.25. Pre-approve all audit services provided by firms other than the external auditor.
- Compliance with Laws & Regulations
- 7.26. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
  - 7.27. Obtain regular updates from management and Y's legal counsel regarding compliance matters.
  - 7.28. Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
  - 7.29. Review the findings of any examinations by regulatory agencies.
- Reporting Responsibilities
- 7.30. Regularly update the YMCA Board about Committee activities and make appropriate recommendations.
  - 7.31. Ensure the YMCA Board is aware of matters which may significantly impact the financial condition or affairs of the business, in particular in relation to the broader aspects of responsible corporate agencies and ethical and legal conduct.

### 8. Risk Management

The Committee is responsible for:

- a. Ensuring that there is an appropriate risk management framework in place to identify and manage principal risks of the YMCA on an ongoing basis and approving that framework.

- b. Have an oversight of the organisations system of risk management and internal risk controls including monitoring compliance with the risk management framework.
  - c. Review and ensure that there are operational effective and adequate policies and procedures in place to identify and manage the principal risks.
  - d. Review all management reports (and request reports as deemed necessary) on material risk to ensure that these risks are being managed effectively.
  - e. Make recommendations to the Board in relation to any incident involving the breakdown of the organisations internal controls (including fraud).
  - f. Review insurance covers, as to the adequacy, pricing and insurer capability, then recommend the annual renewals of covers to the Board.
  - g. Assess and report to the board on any material exposure the organisation has in relations to economic, social, brand or environmental risk together with recommendations on how these risks can be mitigated or removed.
- ### 9. Other Responsibilities
- 9.1. Perform other oversight functions as requested by the YMCA Board.
  - 9.2. If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
  - 9.3. Review and update the charter annually and receive approval of changes from the YMCA Board.