

**APPOINTMENTS, REMUNERATION AND AUDIT COMMITTEE (ARAC)
TERMS OF REFERENCE
[LAST APPROVED BY ARAC JUNE 2022]**

Membership

The Committee will consist of all current Officers, i.e. the Immediate Past President, who will act as Chair, the President, the Deputy President and the Vice President. Additionally, there may be up to five other members, who need not be members of the ACT.

At least one member of ARAC must be a qualified accountant. Where possible, membership will also include individuals with the following skills and experience:

- HR, recruitment, remuneration and benefits; and
- risk management.

Membership should be determined with a view to providing some continuity for subsequent years. This will be achieved through the involvement of Officers throughout their period of office. There will be an expectation that other members will serve for six years consisting of an initial period of three years, renewable for a further period of three years with the agreement of the member and the approval of the rest of ARAC. In exceptional circumstances, for example where an individual's specific skills and experience continue to add value and would not be easily replaced, the Officers may agree an extension beyond six years.

Initial membership is subject to the approval of Council.

The quorum of the committee is three members.

Secretary

The ACT's Secretary shall be the Secretary of ARAC. At the discretion of the Chair the Secretary may be asked to remain during a closed session.

Attendance

The Chief Executive, CFO and Secretary will normally attend meetings. Other members of Council may be invited to attend although this would be by exception.

At least once a year, ARAC will meet with the auditors without members of the Executive present.

Each meeting will include the following closed sessions:

- ARAC and the Chief Executive only
- ARAC and the Secretary and the CFO – these sessions will cover matters concerning the Chief Executive's performance review and remuneration.

ARAC may consult with or seek information from individuals invited to attend meetings, but all final decisions will rest with the committee.

Frequency of meetings

Meetings will normally be held four times a year. Additional meetings may be called as required.

Purpose

ARAC's purpose is divided into the following categories:

- appointments
- remuneration
- audit, risk, and controls and reserves
- investments
- compliance and regulation
- complaints and speaking up.

The Chair of ARAC, with support from the Executive team, will report back on the committee's actions at every Council meeting.

A forward agenda setting out the timing and actions to be taken on an annual basis in respect of ARAC's responsibilities is included at Appendix A.

Appointments

- To consider the appropriate skills set required for individual candidates for Council.
- To recommend to Council eligible elected Council members for appointment as an Officer (usually Vice President). To help ARAC make its recommendation to Council, a panel consisting of the chair of ARAC, one other ARAC member and the Director of Membership & Governance will discuss the requirements of the role with all elected Council members who have not ruled themselves out. This will be a two-way discussion so that individuals will be able to make an informed decision should they be asked to take up an Officer post. If, by exception, there is more than one candidate recommended by ARAC for an Officer post, Council will hold a vote.
In the event that any member of ARAC were to be considered for appointment as an Officer, that member would be required to withdraw from all discussions about the appointment.
- Play an active role in the process of encouraging a wider range of candidates for Council election.
- If required, assist in the process of identifying possible panel members.
- Identify and recommend to Council the appointment of the Chief Executive.

Remuneration

- On the recommendation of the President, to approve the remuneration package (salary, pension and bonus) of the Chief Executive whose performance will be reviewed by the President at least every six months.
- The President's written reviews, which should include the setting of and measuring of performance against agreed financial and non-financial objectives aligned to the overall strategy and goals of the ACT, should be copied to the members of ARAC prior to consideration and approval of the Chief Executive's remuneration.
- In the event of issues arising between the President and the Chief Executive which cannot be otherwise resolved, ARAC should act as mediator.
- On a periodic basis and on the recommendation of the Chief Executive, review and approve the staff bonus scheme structure and criteria. On an annual basis and on the recommendation of the Chief Executive, approve the total payment of bonuses arising from the scheme. The amounts paid to individual members of the scheme (with the exception of the Chief Executive's bonus) will be determined by the Chief Executive.

Audit, risk, controls and reserves

- Consider and make recommendations to Council on issues relating to the appointment, fees and any questions of resignations or dismissal of the auditors. Review from time to time the cost effectiveness of the audit and the independence and objectivity of the auditor.
- Discuss and agree with the auditors the scope of the audit.

- Discuss with the auditors any significant issues arising out of the audit and review the auditor's management letter and the Executive's response.
- The Chief Executive is authorised to contract the auditors for non-audit services (e.g tax) up to a maximum fee of £10,000. Any fee proposal for non-audit services in excess of £10,000 will require the consideration and approval of ARAC.
- Receive regular financial and non-financial updates from the Chief Executive including performance against budget and three-year plan. These will be provided for the purposes of context / background and will take the form of pre-read papers and / or ARAC will receive copies when the relevant papers are distributed to Council.
- Review and, if appropriate, recommend to Council the adoption of the annual audited accounts, focussing particularly on:
 - any changes in accounting policies and practice
 - major judgmental areas
 - material adjustments resulting from the audit
 - the going concern assumption
 - compliance with accounting standards and best practice
 - compliance with any regulatory or legal requirements
 - the Report of Council contained within the Annual Report, in particular, the sections on risk and Council's responsibilities for the financial statements.

The recommendation on adoption of the accounts, or otherwise, will take the form of an annual report from the Chair of ARAC to Council.

- Review annually and report back to Council on the ACT's system of internal control. The review should cover internal controls in its broadest sense and not just be limited to financial controls. ARAC should consider whether the controls are adequate, in keeping with best practice and appropriate for the nature and size of the ACT.
- Review regularly the ACT's financial and business risks and the processes to manage such risks. If major risks are identified they should be reported to Council, with an assessment of the implications for the ACT and a recommendation as to the response required.
- Review annually and recommend to Council the ACT's Reserves Policy.

Investments

- Review annually the ACT's Treasury Policy and recommend any amendments to Council.
- Undertake the role of investment committee as set out in the Treasury Policy.

Compliance and regulation

- Review and consider the adequacy of the ACT's compliance with data protection regulations.
- From time to time and as appropriate, consider and advise Council on any steps ACT need to take to ensure compliance with other statutory and legal requirements.

Complaints, disclosure and speaking up

- As required, review the ACT's Speaking-up Policy and recommend any amendments to Council. Such arrangements will be publicised on the ACT's website and elsewhere from time to time, as deemed appropriate by ARAC.
- Deal with any complaints arising that fall to ARAC under the Speaking-up Policy.
- For the purposes of oversight and accountability, ARAC to receive a report of all current and outstanding member disciplinary matters on a no-names basis at each meeting.

Papers and minutes

Papers will normally be distributed one week in advance of the meeting, and they will be both succinct and clear as to purpose (for discussion/agreement, etc).

Minutes of all meetings shall be prepared and circulated to the committee and members of the Executive in attendance (as appropriate), where possible within one week and in advance of any subsequent Council meeting. Minutes of any closed session meetings should be restricted to attendees only.

The auditors should receive a copy of all relevant sections of the minutes.

Minutes should be circulated to Council after each meeting subject to editing by the Secretary and agreement from the Chair for any matters confidential to ARAC.

If the Secretary is not present for all or any part of a meeting, the Chair shall ensure minutes are prepared.

ARAC ANNUAL FORWARD AGENDA

	Activity / responsibility	Date of action	Documents tabled / to be reviewed	Action taken	Follow up	Date of next review
1.0	Appointments					
1.1	Support the Officers in the recruitment of the Chief Executive	As required				
1.2	<p>Consider skills needs / experience / diversity required on Council (elected or co-opted) to best meet ACT strategic goals.</p> <p>Council questionnaire completed every two years – will help identify any skills or experience gaps.</p> <p>As required, consider and recommend to Council the appointment of co-opted Council members.</p>	<p>Council: Dec – every 2 years</p>	<p>Questionnaire results shared with ARAC when available.</p>			
1.3	<p>Consider and recommend to Council, candidates for appointment as an Officer (usually Vice President).</p> <p>Action agreed from September 2020: at its meeting in September, ARAC to establish a panel consisting of ARAC chair, Director of Membership & Governance and one other ARAC member to discuss the requirements of the role with each of the elected Council members who have not ruled themselves out. This will help ARAC make its recommendation to Council.</p>	<p>Sept – initial consideration</p> <p>Nov – agree ARAC's recommendation to Council of next VP</p>	<p>For background info:</p> <ul style="list-style-type: none"> Council succession schedule 			
1.5	Review of ARAC Terms of Reference and consideration of membership in line with the Terms of Reference	June	<p>For background info:</p> <ul style="list-style-type: none"> ARAC Terms of Reference – current version 			

2.0	Remuneration					
2.1	Approve the Chief Executive's remuneration package (salary, pension arrangement)	Sept – review principles and agree for budget Nov – approval for Jan payroll	For background info: <ul style="list-style-type: none"> Contractual terms Prior year package Any relevant benchmarking info 			
2.2	Chief Executive performance review					
	(i) Objective setting	Nov	For background info: <ul style="list-style-type: none"> Strategic plan Budget for forthcoming year For approval: <ul style="list-style-type: none"> Draft objectives as discussed with Chief Executive and President 			
	(ii) Interim performance review	Sept (Actual review meeting in July/Aug)	For review: <ul style="list-style-type: none"> Interim review summary 			
	(iii) Full year performance review	March (Actual review meeting in February)	For review: <ul style="list-style-type: none"> Full year review summary incl performance against objectives 			
2.3	Approval of Chief Executive bonus payment	March	For approval: <ul style="list-style-type: none"> Recommendation of President (with reference to financial results) 			
2.4	Staff Bonus scheme					
	(i) On recommendation of Chief Executive, review and approve staff bonus scheme structure and criteria	Nov/Dec	For review and approval: <ul style="list-style-type: none"> Draft scheme details 			
	(ii) Bonus payments – on recommendation of Chief Executive, approve total payments arising from scheme. Amounts paid to individuals to be determined by the Chief Executive	March	For review and approval: <ul style="list-style-type: none"> Recommendation of Chief Executive (with reference to financial results) 			
3.0	Audit					
3.1	Consider and recommend to Council, appointment, fees and any issues around resignation or dismissal of auditors	As required				
3.2	Audit Planning – review	Sept	For review:			

	and discuss the scope of the forthcoming audit		<ul style="list-style-type: none"> Audit Planning Document 			
3.3	Audit completion – Review and discuss with auditors any significant issues arising from audit	March	For review: <ul style="list-style-type: none"> Audit Findings Report 			
3.4	Review and recommend to Council the approval of the statutory accounts, letters of representation and letters of support	March	For review: <ul style="list-style-type: none"> Draft statutory financial statements, letters of rep, going concern position and letter of support: <ul style="list-style-type: none"> Group ACT (Administration) Ltd 			
3.5	Receive regular strategic and financial updates	Each meeting For context / background – pre-read only	<ul style="list-style-type: none"> Chief Executive Report – produced for Council meetings. ARAC to receive copy by email when distributed to Council Latest financials and including budgets and forecasts when available Strategic update from each area of the ACT - produced for Council meetings. ARAC to receive copy by email when distributed to Council 			
3.6	Review and consider adequacy of ACT’s system of financial and IT controls and report back to Council	Sept	For review: <ul style="list-style-type: none"> Financial and IT controls review 			
3.7	Review ACT risk assessment and consider adequacy of processes to manage risks and report back to Council	Bi-annual: June and Nov/Dec	For review: ARAC: <ul style="list-style-type: none"> Top risks dashboard (bi-annual) Review movement in risk and progress on mitigations of top risks (bi-annual) Council: <ul style="list-style-type: none"> Deep dive into top risk items (covered as part of strategic updates from each area of ACT) Horizon scanning 			
3.8	Review and recommend to Council ACT’s Reserves Policy	Nov	For review: <ul style="list-style-type: none"> Draft reserves policy 			
4.0	Investments					
4.0	Review and recommend to Council any amendments to the	March	For review and recommendation to Council:			

	ACT's Treasury Investment Policy ARAC to undertake role of investment committee as set out in Treasury Investment Policy	As required	<ul style="list-style-type: none"> Treasury Investment Policy with suggested amendments 			
5.0	Compliance and regulation					
5.1	Review and consider any Data Protection implications	Sept				
5.2	Consider and advise Council on steps ACT needs to take to ensure compliance with statutory and legal requirements	As required				
6.0	Complaints and speaking up					
6.1	Review ACT's speaking-up policy	As required	For review: <ul style="list-style-type: none"> Speaking –up policy with suggested amendments 			
6.2	Dealing with any complaints arising that fall to ARAC under the Speaking-up policy	As required				
6.3	For purposes of oversight and accountability, ARAC to receive a report of all current and outstanding Disciplinary Matters on a no-names basis at each meeting	Each meeting				