



**APPOINTMENTS, REMUNERATION AND AUDIT COMMITTEE (ARAC)  
TERMS OF REFERENCE  
[APPROVED BY COUNCIL SEPTEMBER 2018]**

**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, the Vice President and may include one other Council member. Additionally, there may be up to four non-Council 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;
- risk management.

Membership should be determined with a view to providing some continuity for the subsequent year. This will be achieved through the involvement of Officers throughout their period of office and with an expectation that other members serve for at least two years, and that their appointments will be staggered.

Membership is subject to the approval of Council and shall be reviewed annually.

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. The Head of HR and Facilities may be invited to attend for items relating to the Chief Executive's appointment and remuneration and the staff bonus scheme. 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 either the CFO or the Head of HR and Facilities – 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 set out at **Appendix A**.

## **Appointments**

- To consider the appropriate skills set required for individual candidates for Council.
- To consider all eligible elected Council members for appointment as an Officer (usually Vice President). If review results in one candidate for Vice President, ARAC will make a recommendation to Council for that individual to be appointed. If there is more than one suitable candidate, ARAC will recommend Council holds 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**

[Master document – updated September 2018]

	<b>Activity / responsibility</b>	<b>Date of action</b>	<b>Documents tabled / to be reviewed</b>	<b>Action taken</b>	<b>Follow up</b>	<b>Date of next review</b>
<b>1.0</b>	<b>Appointments</b>					
1.1	Support the Officers in the recruitment of the Chief Executive	As required				
1.2	To consider skills needs / experience / diversity required on Council (elected or co-opted) to best meet ACT strategic goals.	Sept				
1.3	Consider and recommend to Council, candidates for appointment as an Officer (usually Vice President)	Sept	For background info: <ul style="list-style-type: none"> <li>• Council succession schedule</li> </ul>			
1.5	Review membership of ARAC in line with Terms of reference	Sept	For background info: <ul style="list-style-type: none"> <li>• ARAC Terms of Reference – current version</li> </ul>			
<b>2.0</b>	<b>Remuneration</b>					
2.1	Approve the CEO remuneration package (salary, pension arrangement)	Sept – review principles and agree for budget  Dec – approval for Jan payroll	For background info: <ul style="list-style-type: none"> <li>• Contractual terms</li> <li>• Prior year package</li> <li>• Any relevant benchmarking info</li> </ul>			
2.2	CEO performance review					
	(i) Objective setting	Dec	For background info: <ul style="list-style-type: none"> <li>• 3-year strategic plan</li> <li>• Budget for forthcoming year</li> </ul> For approval: <ul style="list-style-type: none"> <li>• Draft objectives as discussed with CEO and President (SMART, KPIs)</li> </ul>			
	(ii) Interim performance review	Sept (Actual review meeting in July/Aug)	For review: <ul style="list-style-type: none"> <li>• Interim review summary</li> </ul>			

	(iii) Full year performance review	March (Actual review meeting in February)	For review: <ul style="list-style-type: none"> <li>• Full year review summary incl performance against objectives</li> </ul>			
2.3	Approval of CEO bonus payment	March	For approval: <ul style="list-style-type: none"> <li>• Recommendation of President (subject to ACT audited financial results)</li> </ul>			
2.4	Staff Bonus scheme					
	(i) On recommendation of CEO, review and approve staff bonus scheme structure and criteria	Dec	For review and approval: <ul style="list-style-type: none"> <li>• Draft scheme details</li> </ul>			
	(ii) Bonus payments – on recommendation of CEO, approve total payments arising from scheme. Amounts paid to individuals to be determined by the CEO	March	For review and approval: <ul style="list-style-type: none"> <li>• Recommendation of CEO (subject to ACT audited financial results)</li> </ul>			
<b>3.0</b>	<b>Audit, risk, controls and reserves</b>					
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 and discuss with auditors the scope of the forthcoming audit	Dec 2018 (from 2019: Sept)	For review: <ul style="list-style-type: none"> <li>• Audit Planning Document</li> </ul>			
3.3	Audit completion – Review and discuss with auditors any significant issues arising from audit	March	For review: <ul style="list-style-type: none"> <li>• Auditors’ Key Issues Memorandum</li> </ul>			
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"> <li>• Draft statutory financial statements, letters of rep and letters of support: <ul style="list-style-type: none"> <li>- Group</li> <li>- ACT (Administration) Ltd</li> <li>- ACT 2013 Ltd</li> </ul> </li> </ul>			
3.5	Receive regular strategic and financial updates	Each meeting	<ul style="list-style-type: none"> <li>• CE Report – produced for Council meetings. ARAC to receive copy by email when distributed to Council</li> </ul>			

		<b>For context / background – pre-read only</b>	<ul style="list-style-type: none"> <li>• Latest financials and including budgets and forecasts when available</li> <li>• Strategic update from each area of the ACT - produced for Council meetings. ARAC to receive copy by email when distributed to Council</li> </ul>			
3.6	Review and consider adequacy of ACT's system of internal controls and report back to Council	Sept	For review: <ul style="list-style-type: none"> <li>• Critical controls schedule</li> </ul>			
3.7	Review ACT risk assessment and consider adequacy of processes to manage risks and report back to Council	Bi-annual: May and Dec	For review: ARAC: <ul style="list-style-type: none"> <li>• Top risks dashboard (bi-annual)</li> <li>• Review movement in risk and progress on mitigations of top risks (bi-annual)</li> </ul> Council: <ul style="list-style-type: none"> <li>• Deep dive into top risk items (covered as part of strategic updates from each area of ACT)</li> <li>• Horizon scanning (annually)</li> </ul>			
3.8	Review and recommend to Council ACT's Reserves Policy	Annually Sept	For review: Draft reserves policy			
<b>4.0</b>	<b>Investments</b>					
4.1	Review and recommend to Council any amendments to the ACT's Treasury Policy  ARAC to undertake role of investment committee as set out in Treasury Policy	March  As required	For review and recommendation to Council: <ul style="list-style-type: none"> <li>• Treasury Policy with suggested amendments</li> </ul>			
<b>5.0</b>	<b>Compliance and regulation</b>					
5.1	Review and consider any Data Protection implications	Sept				
5.2	Consider and advise Council on steps ACT needs to take to ensure	As required				

	compliance with statutory and legal requirements					
<b>6.0</b>	<b>Complaints and speaking up</b>					
6.1	Review ACT's speaking-up policy	As required	For review: <ul style="list-style-type: none"> <li>• Speaking –up policy with suggested amendments</li> </ul>			
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				